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NOTICE OF CANCELLED MEETING

**NOTICE IS HEREBY GIVEN THAT THE
APRIL 8, 2014 REGULAR PORT COMMISSION MEETING
HAS BEEN CANCELLED**

*4/14
cancelled*

**The Next Regular Port Commission Meeting is
scheduled on:**

TUESDAY, APRIL 22, 2014

2:00 P.M. – CLOSED SESSION

3:15 P.M. - OPEN SESSION

Port Commission Hearing Room

Second Floor, Ferry Building

San Francisco, CA 94111

04-03-T&PDS+04 RCVD

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**San Francisco Port Commission
Pier 1, San Francisco, CA 94111
(415) 274-0406**

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APRIL/MAY 2014
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
April 22	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
May 13	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
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May 27	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
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NOTES:

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The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

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Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at soff@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

NOTICES

Prohibition of Ringing of Sound Producing Devices:

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Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

CEQA Appeal Rights under Chapter 31 of the San Francisco Administrative Code:

If the Commission approves an action identified by an exemption or negative declaration as the Approval Action (as defined in S.F. Administrative Code Chapter 31, as amended, Board of Supervisors Ordinance Number 161-13), then the CEQA decision prepared in support of that Approval Action is thereafter subject to appeal within the time frame specified in S.F. Administrative Code Section 31.16. Typically, an appeal must be filed within 30 calendar days of the Approval Action. For information on filing an appeal under Chapter 31, contact the Clerk of the Board of Supervisors at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, or call (415) 554-5184. If the Department's Environmental Review Officer has deemed a project to be exempt from further environmental review, an exemption determination has been prepared and can be obtained on-line at <http://sf-planning.org/index.aspx?page=3447> . Under CEQA, in a later court challenge, a litigant may be limited to raising only those issues previously raised at a hearing on the project or in written correspondence delivered to the Board of Supervisors, Planning Commission, Planning Department or other City board, commission or department at, or prior to, such hearing, or as part of the appeal hearing process on the CEQA decision.

SAN FRANCISCO PORT COMMISSION

Leslie Katz, President
Willie Adams, Vice President
Kimberly Brandon, Commissioner
Mel Murphy, Commissioner
Doreen Woo Ho, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax 415-274-0412

AGENDA **TUESDAY, APRIL 22, 2014** **2:00 P.M. CLOSED SESSION** **3:15 P.M. OPEN SESSION**

PORT COMMISSION HEARING ROOM, SECOND FLOOR **FERRY BUILDING, SAN FRANCISCO CA 94111**

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

1. **CALL TO ORDER / ROLL CALL**
2. **APPROVAL OF MINUTES** – March 25, 2014
3. **PUBLIC COMMENT ON EXECUTIVE SESSION**
4. **EXECUTIVE SESSION**

A. Vote on whether to hold closed session.

- (1) **PUBLIC EMPLOYEE APPOINTMENT** – This is specifically authorized under California Government Code Section 54957.

- a. Consideration and Possible Action on Public Employee Appointment- Chief Harbor Engineer

- (2) **CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR** – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative:

04-18-14P03:13 RCYD

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- a. Property: Pier 27, located on The Embarcadero at Lombard Street, and Pier 35, located on The Embarcadero at Bay Street
Person Negotiating: Port: Peter Dailey, Deputy Director, Maritime and Elaine Forbes, Deputy Director, Finance and Administration
*Negotiating Party: Metro Cruise Services, LLC: Stefano Borzone

Under Negotiations: ____ Price ____ Terms of Payment ☒ Both
Pursuant to Resolution No. 13-25, the Port Commission authorized Port staff to commence negotiations of an agreement with Metro Cruise Service, LLC ("Metro"), under which (i) the Port would grant Metro use of the James R. Herman Cruise Terminal at Pier 27 and Pier 35 to manage Port's cruise terminal operations, event and venue operations, parking operations, and other ancillary uses, and (ii) the Port would receive a base fee plus a percentage of the revenue generated from cruise terminal operations, event and venue operations, parking operations, and other ancillary uses. In this executive session, the Port's negotiators seek direction from the Port Commission regarding price and/or terms of payment, including a payment structure and other factors affecting the form, manner and timing of payment of the consideration for the property interests that will be granted to Metro under the agreement. The executive session will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California.

- b. Property: Block 4111, Lots 3 and 4; Block 4110, Lot 1; Block 4046, Lots 1 and 2; also known as Pier 70 20th Street Historic Buildings, located near the intersection of 20th Street and Illinois Street
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development
*Negotiating Parties: Developer: Orton Development, Inc.: J.R. "Eddie" Orton III, President

Under Negotiations: ____ Price ____ Terms of Payment ☒ Both
Pursuant to Resolution No. 12-18, the Port Commission awarded Orton Development, Inc. an exclusive negotiation agreement for the potential lease, disposition, and development of the Property. In this executive session, the Port's negotiator seeks direction from the Port Commission on factors affecting the price and terms of payment, including rent structure, financing mechanisms and other factors affecting the form, manner and timing of payment of the consideration for the property interests. The executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California.

5. RECONVENE IN OPEN SESSION

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.
- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during Public Comment Period. A member of the public has up to three minutes to make pertinent public comments. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406. No Commission action can be taken on any matter raised during the public comment period for items not listed on the agenda other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

9. EXECUTIVE

- A. Executive Director's Report
 - Record Cruise Calls for 2014 and 2015
 - San Francisco Coast Guard Appreciation Day – April 26, 2014, Pier 39 at 12 noon
 - Board of Supervisors Budget & Finance Committee Hearing: State of the Port – April 30, 2014 at 1 pm, Legislative Chamber, Room 250, City Hall

- Sunday Streets – May 4, 2013 from 11 am to 4 pm on Terry Francois Blvd and Third Street, connecting Mission Bay, Dogpatch and the Bayview
- Plaque dedication ceremony in honor of Mrs. Catherine Baccari, late wife of Alessandro Baccari – May 9, 2014 at 3 pm at the Fisherman's Wharf Chapel
- San Francisco Heritage Soiree – May 10, 2014 at 6 pm at Palace of Fine Arts
- A Taste of Tel-Hi – May 10, 2014 from 6 pm to 9 pm at Joe DiMaggio Playground, 651 Lombard Street
- Port Budget Hearings – May 14 and May 21, 2014, Legislative Chamber, Room 250, City Hall
- In Memoriam – Robert Billingham, San Francisco Infrastructure Manager, America's Cup Event Authority

B. Commissioners' Report

- Chambers of Commerce Contracting and Outreach Event – April 15, 2014

10. CONSENT

- A. Request approval to apply for, accept and expend one million dollars (\$1,000,000) Congestion Mitigation and Air Quality Improvement (CMAQ) funding from the Metropolitan Transportation Commission (MTC) and California Coastal Conservancy through the Priority Conservation Area (PCA) grant program for pedestrian and bicycle improvements within the Pier 70 Crane Cove Park project area and committing any necessary matching funds. (Resolution No. 14-22)

11. FINANCE AND ADMINISTRATION

- A. Informational presentation on the Port's Report on Contracting Activity for the first two quarters of FY 2013-14 (July 1, 2013 through Dec 31, 2013).

12. MARITIME

- A. Request approval of the Use of Track Agreement with Union Pacific Railroad Company ("UP") granting Port the right to use the Quint Street Lead track jointly owned by UP and Burlington Northern Santa Fe Railway Company ("BNSF") for the purpose of reconstructing the track with grant funds provided to the Port by the Federal Railroad Administration. (This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code.) (Resolution No. 14-23)

13. REAL ESTATE

- A. Request approval to issue a Request for Proposals (RFP) for a retail space located at Pier 33 North (33½) on the Embarcadero at the foot of Bay Street to

San Francisco small businesses currently working with San Francisco community-based organizations. (Resolution No. 14-24)

- B. Request approval of an option to extend the term for Five (5) Years for Lease No. L-14705, as amended, for a Construction Materials Recycling Center at Seawall Lot 352 at Amador Street, between the Port and Recology San Francisco, Inc. (formerly, Sustainable Crushing Ventures, LLC). (Resolution No. 14-25)

14. PLANNING AND DEVELOPMENT

- A. Informational presentation on Orton Development Inc.'s proposed project for the lease and rehabilitation of the six 20th Street Historic Buildings on or near 20th and Illinois Streets at Pier 70.

15. NEW BUSINESS

16. ADJOURNMENT

Adjourn the meeting in memory of Robert Billingham, San Francisco Infrastructure Manager, America's Cup Event Authority.

COMMUNICATIONS TO PORT COMMISSION
From March 21 to April 17, 2014

- From Toby Levine, Co-Chair, Central Waterfront Advisory Group, regarding Forest City's proposed Revocable License Agreement for Special Events at Pier 70

**FORWARD CALENDAR
(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)**

MAY 13, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Five-Year Review of the Waterfront Land Use Plan
2	Pier 27	Action	Resolution authorizing acceptance of an art gift referred to as the James R. Herman tribute to be installed at the James R. Herman Cruise Terminal at Pier 27, and authorizing the Executive Director to enter into a License regarding the terms of the acceptance, operation and maintenance
3	Pier 70	Action	Approval of a lease and development agreement with Orton Development, Inc. for the 20th Street Historic Buildings at Pier 70
4	SWL 337	Action	Approval of a Special Event in excess of 90-days, for Port property at Seawall Lot 337 and Pier 48 bounded by Terry Francois Blvd., Third Street, Mission Rock Street, and San Francisco Bay, pursuant to Lease No. L-14980 between the Port and China Basin Ballpark Company, LLC
5	Portwide	Action	Approval of Resolution urging the Board of Supervisors to amend the San Francisco Public Works Code to authorize the Port to impose penalties to enforce the Port's Construction Site Stormwater Runoff Control Program (Port Building Code Section 106A.3.2.5
6	1399 Marin Street	Action	Approve renewal of Memorandum of Understanding between the Port of San Francisco and the San Francisco Municipal Transportation Authority for property located at 1399 Marin Street
7	Pier 9	Action	Approval of the Second Amendment to Lease No. L-14282 with the San Francisco Bar Pilots Benevolent and Protective Association at Pier 9

8	Pier 27	Action	<p>Request authorization to execute an amendment to:(1) The Architectural and Engineering contract with the joint venture of Kaplan, McLaughlin, Diaz Architects and Pfau Long Architecture in association with Bermello Ajamil and Partners ("Architects / Engineers") to increase the total authorized contract amount from \$11,491,708 to an amount not-to-exceed \$11,741,708, for additional Project construction administration services for the Pier 27 James R. Herman Cruise Terminal and Northeast Wharf Plaza Project ("Project"), and to extend the term from December 31, 2014 to April 30, 2015;</p> <p>(2) The Construction Manager / General Contractor contract with Turner Construction Company ("Turner") to increase the total authorized contract amount from \$100,107,601 to an amount not to exceed \$101,737,601 to fund additional construction scope of the Project, and to extend the term from December 31, 2014 to April 30, 2015</p> <p>(3) The Memorandum of Understanding (MOU) with the San Francisco Department of Public Works ("DPW") to extend the term from December 31, 2014 to April 30, 2015</p>
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MAY 27, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Embarcadero	Informational	Presentation by the San Francisco Municipal Transportation Agency regarding the Embarcadero Enhancement (Bike) Planning Project
2	Portwide	Informational	Presentation on Phase 2 of the Waterfront Transportation Assessment by the San Francisco Municipal Transportation Agency in partnership with the San Francisco County Transportation Authority
3	Portwide	Informational	Presentation regarding the Fiscal Year 2014-15 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event and Filming Rates
4	Daggett Street	Informational	Presentation regarding a proposed Memorandum of Understanding between the Port and the City's Real Estate Department authorizing the jurisdictional transfer of the Daggett Street Right-of-Way from the Port to the City for a transfer fee of \$1.6 Million

5	Drydock	Informational	Presentation on selection of scope of work for scrapping of drydock #1 currently moored at Pier 50 and seeking permission to waive competitive bidding
6	Pier 27	Informational	Presentation of the James R. Herman Cruise Terminal Management Agreement with Metro Cruise LLC at Pier 27
7	Cesar Chavez St., Islais St. & Pier 90	Action	Authorization to award Construction Contract No. 2758, Bayview Gateway & Tulare Park Projects
8	Islais Creek Landing	Action	Approval to extend for five years and expand by 300 square feet a License with Kayaks Unlimited to use certain Port property located at Islais Creek Landing for no cash payment in exchange for in-kind payment of park maintenance to facilitate the use of the area by a public kayaking club

JUNE 10, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation on Current Operations and Expansion Potential of Water Taxi Service Along the San Francisco Waterfront
2	Portwide	Informational	Presentation on Finger Pier Exiting Code Analysis/Model Guidelines
3	Pier 31	Action	Authorization to advertise for competitive bids for Construction, Pier 31 Building and Roof Repairs
4	Portwide	Action	Approval of the Fiscal Year 2014-15 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event and Filming Rates
5	Pier 27	Action	Approval of the James R. Herman Cruise Terminal Management Agreement with Metro Cruise LLC at Pier 27
6	Pier 35	Action	Authorization to award Construction Contract 2765, Pier 35 Building and Roof Project

JULY 8, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 80	Informational	Presentation on Cargo marketing Plan for Pier 80 in conjunction with Metro Ports and the International Longshore and Warehouse Union
2	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Substructure Repairs
3	Portwide	Action	Authorization to advertise for competitive bids for Construction Contract No. 2769, Port Security

AUGUST 12, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 31	Action	Authorization to award Construction Contract No. XX, Pier 31 Building and Roof Repairs

SEPTEMBER 9, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 35	Action	Authorization to award Construction Contract No. XX, Pier 35 Substructure Repairs

DATE TO BE DETERMINED

	FACILITY/POLICY	ITEM	TITLE
1	South Beach	Action	Port Commission's consideration of agreements between the Port Commission and the Successor Agency to mutually terminate 13 ground leases in the South Beach project area and set business terms for the transfer of the South Beach Harbor Program
2	Pier 70	Action	Authorization to advertise for competitive bids for Construction, Crane Cove Park Project Phase 1
3	Pier 94 and 96	Action	Authorization to advertise for competitive bids for Construction, Pier 94-96 Storm Drain and Outfall repairs
4	Loading Dock near Tulare Street	Action	Authorization to advertise for competitive bids for Construction, Copra Crane Refurbishment
5	Daggett Street	Action	Approval of Memorandum of Understanding between the Port and the City's Real Estate Department authorizing the jurisdictional transfer of the Daggett Street Right-of-Way from the Port to the City for a transfer fee of \$1.6 Million
6	3rd Street & Cargo Way Triangle and Cargo Way	Action	Authorization to advertise for competitive bids for Construction, Quint Street Lead Improvement Project

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A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Ruston by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at soff@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Ruston or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

NOTICES

Prohibition of Ringing of Sound Producing Devices:

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

CEQA Appeal Rights under Chapter 31 of the San Francisco Administrative Code:

If the Commission approves an action identified by an exemption or negative declaration as the Approval Action (as defined in S.F. Administrative Code Chapter 31, as amended, Board of Supervisors Ordinance Number 161-13), then the CEQA decision prepared in support of that Approval Action is thereafter subject to appeal within the time frame specified in S.F. Administrative Code Section 31.16. Typically, an appeal must be filed within 30 calendar days of the Approval Action. For information on filing an appeal under Chapter 31, contact the Clerk of the Board of Supervisors at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, or call (415) 554-5184. If the Department's Environmental Review Officer has deemed a project to be exempt from further environmental review, an exemption determination has been prepared and can be obtained on-line at <http://sf-planning.org/index.aspx?page=3447> . Under CEQA, in a later court challenge, a litigant may be limited to raising only those issues previously raised at a hearing on the project or in written correspondence delivered to the Board of Supervisors, Planning Commission, Planning Department or other City board, commission or department at, or prior to, such hearing, or as part of the appeal hearing process on the CEQA decision.



MEMORANDUM

April 18, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer
Executive Director

SUBJECT: Request approval to apply for, accept and expend one million dollars (\$1,000,000) Congestion Mitigation and Air Quality Improvement (CMAQ) funding from the Metropolitan Transportation Commission (MTC) and California Coastal Conservancy through the Priority Conservation Area (PCA) grant program for pedestrian and bicycle improvements within the Pier 70 Crane Cove Park project area and committing any necessary matching funds

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

EXECUTIVE SUMMARY

Port staff is seeking authorization from the Port Commission to apply for, accept and expend a one million dollar grant (\$1,000,000) from the MTC and the Coastal Conservancy for pedestrian and bicycle improvements within the planned Pier 70 Crane Cove Park project. The funds will be used for the construction phase of the project and will include a new sidewalk along Illinois Street between 18th and 19th Streets, sidewalks along the future extension of 19th Street and other pedestrian and bicycle improvements within the park.

The Priority Conservation Area (PCA) Grant program is a pilot program between the MTC and California Coastal Conservancy. The goal of the PCA program is to support the Plan Bay Area, which is an integrated long-range transportation and land use/housing plan for the San Francisco Bay area. The PCA program has many goals including providing and enhancing bicycle and pedestrian access to open space and parkland resources.

THIS PRINT COVERS CALENDAR ITEM NO. 10A

The PCA grant program requires a 3:1 match, including a federally required 11.47% match. The Port's match will include other funds expended on components of the Crane Cove Park project which is being funded primarily by the 2008 and 2012 Parks General Obligation Bonds and other Port monies.

The Pier 70 Crane Cove Park project located within the Port's southern waterfront is a long standing project of the Port of San Francisco. Once completed (expected in 2016) it will be a signature destination open space which will be an amenity to the City, especially the southeast section. The improvements will provide access to the bay; places to recreate and contemplate; and opportunities to learn and celebrate the Port's rich maritime and ship building history.

PROJECT

The Pier 70 Crane Cove Park Project is located on an approximately eight acre site generally east of Illinois Street between 19th and Mariposa Streets along the Bay shoreline (see Exhibit 1, Project Location and Setting). The Project is a long standing goal of the Port, the City and a variety of stakeholder groups, has tremendous local and regional support and excitement and is identified in the Port's Waterfront Land Use Plan, the Pier 70 Preferred Master Plan, the City's Eastern Neighborhoods Plan and the Blue Greenway, Bay Trail and Bay Area Water Trail Plans.

In December 2013, Port staff working through an extensive community planning process completed a Park Master Plan, Phasing Plan and Cost Estimate. The Park Master Plan (see Exhibit 2, Crane Cove Park Master Plan) includes a variety of uses and programs that help provide access for the Eastern Neighborhoods shoreline, including: adaptive reuse of historic resources consistent with the Secretary of Interior Standards; creation of a shoreline for access into the bay; a children's play area multi-purpose lawn area; a crane plaza to celebrate, recognize and interpret the last remaining intact ship building slipway, Slipway 4; and new sidewalks and a park entrance created by the extension of 19th Street to the east. Once completed, Crane Cove Park will become a signature waterfront open space that provides a new amenity to the Port's Southern Waterfront communities and a facility that celebrates the significant history that Pier 70 played in ship building during the early to mid-1900s and ship repair since. This Master Plan was reviewed with the Port Commission at its March 25, 2014 meeting.¹

If approved, this grant will assist in closing a pedestrian gap along the Bay Trail and Blue Greenway, improve connectivity between the Port's open space system and provide for pedestrian and bicycle improvements within the park.

GRANT

The PCA grant program is a pilot Program established in 2012 by MTC and the California Coastal Commission. The pilot program includes \$7.45 million for Bay area projects, including \$5 million in MTC grants to supplement \$2.45 million in state resource bond funds approved by the Coastal Conservancy. Priority Conservation

¹ <http://www.sfport.com/modules/showdocument.aspx?documentid=7840>

Areas (PCAs) are locations designated as having regional significance and broad community support for preservation as agricultural land; as historic, scenic, cultural or recreational sites; or for natural resource, habitat or ecosystem protection. MTC dedicated federal funds for the PCA Grant pilot program and selected the Coastal Conservancy to screen proposals for up to \$5 million in grants of \$100,000 to \$1 million submitted by local governments in Alameda, Contra Costa, San Francisco, San Mateo and Santa Clara counties. Grantees are required to match the funds at a 3:1 ratio (Port 3: Grantor 1) including a required 11.47% federal match.

The Port will match the \$1,000,000 grant for Crane Cove Park with \$3,000,000 other Park improvements.

Park Project Element	Grant Fund Amount	Port Match
Illinois Street Sidewalk, 19 th Street Sidewalk, Park Pathways	\$1,000,000	
Park Pathways, Shoreline Improvements		\$3,000,000

PROJECT SCHEDULE

Upon necessary authorizations, the following outlines the project milestones:

- Complete Schematic Design July, 2014
- Complete Detail Design and bid documents March, 2015
- Bid and Award Construction March – July 2015
- Construction July 2015 - July 2016
- Open to Public July 2016

RECOMMENDATION

Port staff recommends that the Port Commission approve the attached resolution to apply for, and subject to Board of Supervisors' approval accept and expend, one million dollars (\$1,000,000) Congestion Mitigation and Air Quality improvement funding from the MTC through the PCA grant program for pedestrian and bicycle improvements within the Pier 70 Crane Cove Park project area and committing any necessary matching funds.

Prepared by: David Beaupre, Senior Planner

Prepared for: Byron Rhett, Deputy Director
Planning and Development

Exhibits

1. Project Location & Setting
2. Crane Cove Park Master Plan

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-22

Authorizing the filing of an application for funding assigned to Metropolitan Transportation Commission (MTC) and committing any necessary matching funds and stating the assurance to complete the project

WHEREAS, the Pier 70 Crane Cove Park is a long planned open space project, identified in Port's Waterfront Land Use Plan, the Pier 70 Preferred Master Plan, the City's Eastern Neighborhoods Plan and the Blue Greenway, Bay Trail and Bay Area Water Trail Plans; and

WHEREAS, the Port has developed a Park Master Plan through a community planning process, which includes several pedestrian and bicycle amenities; and

WHEREAS, the Pier 70 Crane Cove Project is located within the MTC and Association of Bay Area Governments, Priority Conservation Area; and

WHEREAS, the Port of San Francisco (herein referred to as APPLICANT) is submitting an application to the Metropolitan Transportation Commission (MTC) for one million dollars (\$1,000,000) in funding assigned to MTC for programming discretion, including but not limited to federal funding administered by the Federal Highway Administration (FHWA) such as Surface Transportation Program (STP) funding, Congestion Mitigation and Air Quality Improvement (CMAQ) funding and/or Transportation Alternatives (TA) funding (herein collectively referred to as REGIONAL DISCRETIONARY FUNDING) for the Pier 70 Crane Cove Park 19th Street and Illinois Street sidewalk and pedestrian improvement projects (herein referred to as PROJECT) for the Priority Conservation Area Grant (herein referred to as PROGRAM); and

WHEREAS, the Moving Ahead for Progress in the 21st Century Act (Public Law 112-141, July 6, 2012) and any extensions or successor legislation for continued funding (collectively, MAP 21) authorize various federal funding programs including, but not limited to the Surface Transportation Program (STP) (23 U.S.C. § 133), the Congestion Mitigation and Air Quality Improvement Program (CMAQ) (23 U.S.C. § 149) and the Transportation Alternatives Program (TA) (23 U.S.C. § 213); and

WHEREAS, state statutes, including California Streets and Highways Code 182.6 and 182.7 provide various funding programs for the programming discretion of the Metropolitan Planning Organization (MPO) and the Regional Transportation Planning Agency (RTPA); and

- WHEREAS, pursuant to MAP-21, and any regulations promulgated thereunder, eligible project sponsors wishing to receive federal funds for a project shall submit an application first with the appropriate MPO for review and inclusion in the MPO's Transportation Improvement Program (TIP); and
- WHEREAS, MTC is the MPO and RTPA for the nine counties of the San Francisco Bay region; and
- WHEREAS, MTC has adopted a Regional Project Funding Delivery Policy (MTC Resolution No. 3606, revised) that sets out procedures governing the application and use of federal funds; and
- WHEREAS, APPLICANT is an eligible sponsor for REGIONAL DISCRETIONARY FUNDING; and
- WHEREAS, as part of the application for REGIONAL DISCRETIONARY FUNDING MTC requires a resolution adopted by the responsible implementing agency stating the following:
1. the commitment of any required matching funds; and
 2. that the sponsor understands that the REGIONAL DISCRETIONARY FUNDING is fixed at the programmed amount, and therefore any cost increase cannot be expected to be funded with additional REGIONAL DISCRETIONARY FUNDING; and
 3. that the project will comply with the procedures, delivery milestones and funding deadlines specified in the Regional Project Funding Delivery Policy (MTC Resolution No. 3606, revised); and
 4. the assurance of the sponsor to complete the project as described in the application, subject to environmental clearance, and if approved, as included in MTC's federal Transportation Improvement Program (TIP); and
 5. that the project will comply with all project-specific requirements as set forth in the PROGRAM; and
 6. that the project (transit only) will comply with MTC Resolution No. 3866, revised, which sets forth the requirements of MTC's Transit Coordination Implementation Plan to more efficiently deliver transit projects in the region; now, therefore, be it
- RESOLVED, that the APPLICANT is authorized to execute and file an application for funding for the PROJECT for REGIONAL DISCRETIONARY FUNDING under MAP-21 for continued funding; and be it further
- RESOLVED, that the APPLICANT by adopting this resolution does hereby state that:
1. APPLICANT will provide any required matching funds; and
 2. APPLICANT understands that the REGIONAL DISCRETIONARY FUNDING for the project is fixed at the MTC approved programmed amount, and that any cost increases must be funded by the APPLICANT from other funds, and that

- APPLICANT does not expect any cost increases to be funded with additional REGIONAL DISCRETIONARY FUNDING; and
3. APPLICANT understands the funding deadlines associated with these funds and will comply with the provisions and requirements of the Regional Project Funding Delivery Policy (MTC Resolution No. 3606, revised) and APPLICANT has, and will retain the expertise, knowledge and resources necessary to deliver federally-funded transportation projects, and has assigned, and will maintain a single point of contact for all FHWA-funded transportation projects to coordinate within the agency and with the respective Congestion Management Agency (CMA), MTC, Caltrans and FHWA on all communications, inquires or issues that may arise during the federal programming and delivery process for all FHWA-funded transportation projects implemented by APPLICANT; and
 4. PROJECT will be implemented as described in the complete application and in this resolution, subject to environmental clearance, and, if approved, for the amount approved by MTC and programmed in the federal TIP; and
 5. APPLICANT and the PROJECT will comply with the requirements as set forth in MTC programming guidelines and project selection procedures for the PROGRAM; and
 6. APPLICANT (for a transit project only) agrees to comply with the requirements of MTC's Transit Coordination Implementation Plan as set forth in MTC Resolution 3866, revised; and be it further

RESOLVED, that APPLICANT is an eligible sponsor of REGIONAL DISCRETIONARY FUNDING funded projects; and be it further

RESOLVED, that APPLICANT is authorized to submit an application for REGIONAL DISCRETIONARY FUNDING for the PROJECT; and be it further

RESOLVED, that there is no legal impediment to APPLICANT making applications for the funds; and be it further

RESOLVED, that there is no pending or threatened litigation that might in any way adversely affect the proposed PROJECT, or the ability of APPLICANT to deliver such PROJECT; and be it further

RESOLVED, that the Port Commission authorizes the Executive Director or her designee to execute and file an application with MTC for REGIONAL DISCRETIONARY FUNDING for the PROJECT as referenced in this resolution; and be it further

- RESOLVED, that a copy of this resolution will be transmitted to the MTC in conjunction with the filing of the application; and be it further
- RESOLVED, that the MTC is requested to support the application for the PROJECT described in the resolution and to include the PROJECT, if approved, in MTC's federal TIP; and be it further
- RESOLVED, that the Port Commission hereby authorizes the Executive Director to seek the Board of Supervisors' approval to accept and expend the REGIONAL DISCRETIONARY FUNDING for the PROJECT; and be it further
- RESOLVED, that the Port Commission hereby urges the Board of Supervisors to approve the request for approval to accept and expend the REGIONAL DISCRETIONARY FUNDING for the PROJECT; and be it further
- RESOLVED, that the Port Commission, subject to the Board of Supervisors' approval, hereby authorizes the Executive Director or her designee to execute for and on behalf of the City and County of San Francisco, any additional documents necessary to accept and expend the REGIONAL DISCRETIONARY FUNDING for the PROJECT, including any extensions, augmentations or amendments thereof.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of April 22, 2014.

Secretary

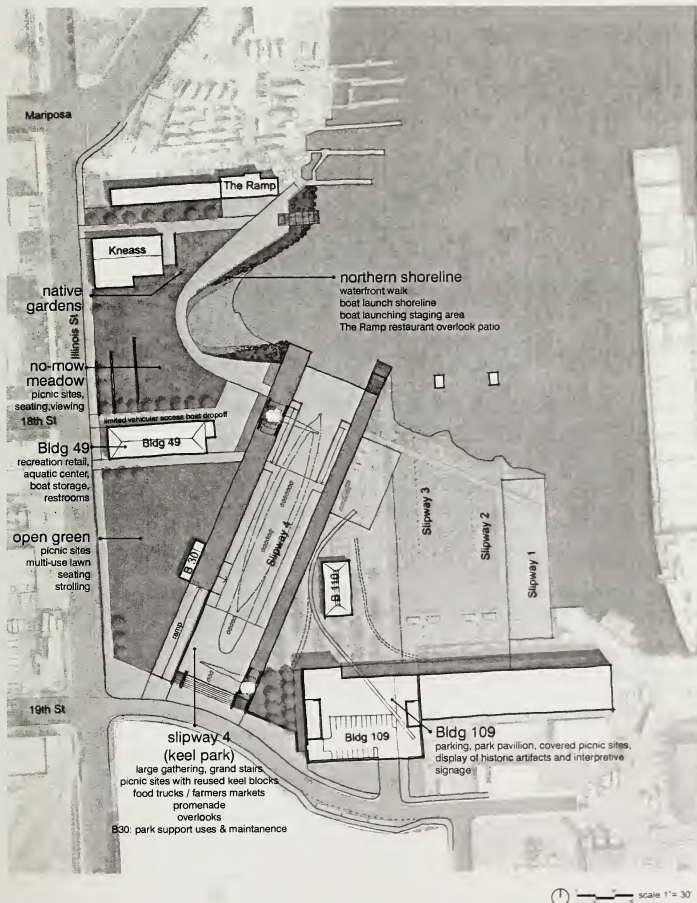


exhibit 2: Crane Cove Park Master Plan



MEMORANDUM

April 18, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MMoyer*
Executive Director

SUBJECT: Informational Item - The Port's Report on Contracting Activity for the First and Second Quarters of FY 2013-14 (July 1, 2013 through December 31, 2013)

I. SUMMARY

This report provides the Port Commission with information on contracting activity for the first and second quarters of Fiscal Year 2013-14 (July 1, 2013 through December 31, 2013). It focuses on contracting for both professional services and construction activities. Port staff has revised this report from previous report formats to make it more readable and to more clearly highlight the amount of Port work made possible to Local Business Enterprises (LBEs) and to local residents through adherence to the City's Local Hire policy.

- A. **Total Value of New Contracts: \$1.18 million (5 contracts).** During the first half of FY 2013-14, the Port issued five new contracts including two new construction contracts and three new professional services contracts with a cumulative value of \$1.18 million. **Three out of the five (60%) contracts were awarded to LBEs in an aggregate amount of \$1.1 million (94%).** This is an unprecedented result that 94% of the values of new contracts were awarded to LBEs.

One of the five contracts is governed by Administrative Code Section 14B ("LBE Ordinance") and includes an 8% subcontracting goal. The other four LBE-awarded contracts did not include additional LBE subcontracting goals because they were exempt: one was awarded as a Micro-LBE set aside (thus no further LBE subcontracting was needed) and three were awarded for contract values under \$50,000 and therefore below the economic threshold for additional LBE subcontracting requirements pursuant to Administrative Code Section 14B.

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- B. Total Payments to Active and Open Port Contracts: \$8.59 million, of which \$1.2 million (14%) was to LBE primes and subcontractors.** During the first half of FY 2013-14, total Port contract payments totaled \$8.59 million. Of that amount, \$7.75 million (90%) was for contracts governed by the LBE Ordinance and \$1.2 million (14%) was paid to LBEs including \$1.12 million (13%) to LBE subcontractors and \$0.08 million (1%) to LBE primes.

The Port Commission has an informal policy requesting staff to direct 20% of contract payments to be to LBEs. While the Port did not meet the Port Commission's policy during this reporting period, the Port is exceeding the goal over the life of these contracts with \$23.7 million to LBEs, which is 21% of the \$114.7 million in overall payments. As we have discussed, contract work is not performed uniformly each month. Different tasks occur at different times during the contract period. Port staff expect that payments to LBEs of the full contract amounts will meet the 20% policy prior to their expiration.

- C. All of the Port's 10 projects subject to Local Hire Ordinance are meeting the requirements of providing work hours to San Francisco residents, including disadvantaged works, and are providing apprentice opportunities.**

II. BACKGROUND

The Port engages in a variety of contractual transactions that include: leases, developer agreements, construction contracts, general services contracts, and professional services contracts. This report specifically addresses the Port's use of professional services and construction contracts.

- A. Compliance with Nondiscrimination Laws, Rules and Regulations:** The Port must comply with federal, state, and local laws concerning nondiscrimination in contracting. Construction contracts, general services contracts, and professional services contracts are subject to the San Francisco Administrative Code Chapter 14B LBE subcontracting participation requirements. The LBE program applies only to City contracts which include Port contracts.

The LBE program was established to expand City contracting opportunities for small San Francisco based firms, which are defined based on gross receipts by type of industry. Adherence to Administrative Code Chapter 14B is overseen by the Contract Monitoring Division (CMD), a division of the City Administrator's office. CMD accepts and reviews applications and certifies qualifying local firms as LBEs. When participating as a prime contractor or as part of a Joint Venture, LBEs receive bid discounts in the case of construction bids and bonuses in the case of professional service Requests for Proposals (RFP) and Requests for Qualifications (RFQ). For contract agreements that fall within Administrative Code Chapter 14B requirements, the CMD also reviews the scope of the project, the nature of the work compared to available City-certified LBEs,

and sets a required LBE subcontracting goal. CMD determines compliance with subcontracting goals at the time the contract is closed-out.¹

City contracts are exempt from the LBE program if 1) the contract value is less than an established threshold amount, currently \$50,000 for professional contracts and \$200,000 for construction contracts, 2) Federal law, as in the case of grant funds, prohibits the use of local preference, or 3) if a waiver is obtained from CMD, such as in the case of an emergency or sole source contract.

In soliciting bids and/or responses to requests for proposals/qualifications, Port staff engage a representative from CMD. The CMD representative reviews all of the circumstances and independently assigns an LBE sub-contracting goal, or waiver thereof. Port staff then use best efforts to adhere to the CMD goal. If Port staff are unable to adhere to the goal, Port staff refer the problem to the CMD representative for assistance and a solution.

B. Use of Professional Services Contracts: Professional Services are those services which require the exercise of discretion and independent judgment in their performance, and/or the application of an advanced, specialized type of knowledge, expertise, or training. Examples of professional service providers include architects, engineers, and software developers. The City's Civil Service Commission must approve all Professional Services contracts. The Civil Service Commission determines whether City employees could perform the requested services and, if so, whether the Department can justifiably contract out the services. The Port contracts for professional services only when Port employees or other City employees cannot perform the work because of the limited nature of the work, peak workload obligations, lack of specific expertise, or as other unusual circumstances such as mitigation of financial risk, funding or other legal requirements.

C. As-Needed Contracts: As-Needed contracts are Professional Services contracts which the Port uses for as-needed services, i.e., services that recur from time to time but are not consistent or predictable enough to justify full time staff. Currently the Port maintains as-needed services contracts for Engineering services, Real Estate economic analysis, and Environmental services. Master Agreements for as-needed services are negotiated upon Contractor pre-qualification through formal, competitive RFQ processes. These agreements usually have a three-year term.

As-needed services are typically construction related professional services, such as engineering services. Following the requirements of Administrative Code Chapter 6.64, the Port tasks contractors with individual projects through the issuance of Contract Service Orders (CSO) that are not to exceed \$200,000 per public works project.² Any

¹ LBE subcontracting goals are calculated on the base contract amount. Following CMD policy, contract allowances, alternates or contingencies are not factored into calculating final LBE participation rates. CMD reviews on a case-by-case basis, contract amendments that result in a cumulative increase in the total contract amount of 20 percent or more. CMD may apply LBE subcontracting goals to these contract amendment based on a review of the additional work.

² Chapter 6 of the Administrative Code governs construction and construction related services.

CSOs exceeding \$200,000 per public works project require written justification by the department head to CMD establishing the urgency to perform the work under as-needed contracts rather than through a new formal competitive procurement. LBE subcontracting goals may apply to each Master Agreement or for each CSO. The Port's practice is to have an overall goal for the as-needed contracts and to manage individual CSOs to ensure overall compliance.

D. Delegated Authority: To streamline the Port's contract approval process and to be consistent with the San Francisco Administrative Code and the practice of other City departments, the Port Commission has delegated the following authority to the Executive Director (Resolution Nos. 09-29, 09-37 and 10-60):

- | | |
|--|-----------|
| • Contract Service Orders | \$500,000 |
| • Public works and improvement contracts | \$400,000 |
| • Professional services contracts | \$100,000 |

Delegated authority allows the Port's Executive Director to execute and award public works and improvement and professional services CSOs and contracts at or under the threshold limits without Port Commission review and approval.

III. CONTRACT ACTIVITY UPDATE

During the first and second quarters of FY 2013-14, the Port:

1. Expended \$1.37 million on existing as-needed contracts through CSOs;
2. Entered into five new contract agreements totaling \$1.18 million; and
3. Paid a total of \$8.56 million for contracted services.

A. Use of As-Needed Contracts (\$1,367,700; 14 contracts): The Port has 14 current as-needed contracts through Master Agreements with a total contractual value of \$15 million. As shown in *Table 1*, the Port issued 21 CSOs in the first half of FY 2013-14 which totaled approximately \$1.4 million in newly assigned work. None of the 21 issued CSOs exceeded \$200,000 for any single project and therefore fell within the Executive Director's delegated authority to issue such CSOs.

Table 1: Contract Service Orders for July 1, 2013 – December 31, 2013

Firm	Project	Amount
Baseline Environmental	Pier 27 Cruise Terminal Fenders	\$25,469
Baseline Environmental	Heron's Head Park	48,320
Bay Area Economics	Water Taxi Feasibility Study	54,483
Creegan + D'Angelo/ AGS JV	Copra Crane Restoration	161,233
Creegan + D'Angelo/ AGS JV	Blue-Greenway (Signage & Furnishings)	63,159
Creegan + D'Angelo/ AGS JV	Pier 53 Kayak Float	8,134
Creegan + D'Angelo/ AGS JV	Cargo Facility Repair	41,847
Creegan + D'Angelo/ AGS JV	Pier 35 Elevator Repair	16,501
Creegan + D'Angelo/ AGS JV	Pier 35 Roof Repair Project	11,989
Creegan + D'Angelo/ AGS JV	Pier 29 Shore Side Power	88,941
Creegan + D'Angelo/ AGS JV	Bayview Gateway	7,500
Economic Planning Systems	Pier 70 Negotiation Support	150,000
Gerwick/SDE JV	South Beach Harbor	158,870
Gerwick/SDE JV	Pier 96 Sheet Pile Wall Condition Survey	47,300
Keyser Marston Assoc.	Pier 70 Development Infrastructure Plan	74,250
Keyser Marston Assoc.	Pier 70 Historic District Nomination	25,316
PB-STR JV	Pier 43.5 & Wharf J-9 Feasibility Study	104,860
PB-STR JV	Pier Review & Project Scoping	75,000
PB-STR JV	Warriors Arena Cost Estimate	46,744
PB-STR JV	Crane Cove Park	117,784
Seifel	As-Needed Real Estate, Economic, Technical Advisory	40,000
Total Value of Contract Services Orders		\$1,367,700

The LBE participation for the above listed CSOs for the first two quarters of FY 2013-14 is provided in *Attachment 2* of this report.

B. New Contracts (\$1,175,222; 5 contracts): During the first half of FY 2013-14, the Port issued two new construction contracts and three new professional services contracts for a cumulative value of \$1.18 million, as summarized in *Table 2* and detailed in *Attachment 1*. Of the five new contracts, four were implemented through the Executive Director's delegated authority and one underwent the Port Commission's review and approval. Additionally, three contracts were awarded to LBE primes or a micro LBE for a total of \$1.1 million (94%) of the \$1.18 million awarded. Pursuant to Administrative Code 14B, only one contract, with Cal State Constructors, triggered LBE subcontracting goals. The subcontracting goal for that contract was set at 8%.

Table 2: Contracts Awarded from July 1, 2013 – December 31, 2013

Type of Transaction	Total Contracts	Total Dollar Amt	LBE Goal	
			Amount	%
Construction	1	\$681,547	\$54,524	8%
<u>Professional Services</u>	<u>0</u>	<u>\$0</u>	<u>\$0</u>	<u>0%</u>
Total 14B Eligible Contracts	1	\$681,547	\$54,524	8%
<u>Construction Micro-LBE</u>	<u>1</u>	<u>\$374,725</u>	<u>NA</u>	<u>NA</u>
Total Micro-LBE Contracts	1	\$374,725	NA	NA
Construction Exempt	0	\$0	NA	NA
<u>Professional Services Exempt</u>	<u>3</u>	<u>\$118,950</u>	<u>NA</u>	<u>NA</u>
Total Exempt Contracts	3	\$118,950	NA	NA
Grand Total	5	\$1,175,222	\$54,524	NA

Four LBE-awarded contracts did not include additional LBE subcontracting goals because they were exempt: one was awarded as a Micro-LBE set aside (thus no further LBE subcontracting was needed) and three were awarded for contract values under \$50,000 and therefore below the economic threshold for additional LBE subcontracting requirements pursuant to Administrative Code Section 14B.

1. Use of Delegated Authority (\$493,675; 4 contracts): The Executive Director authorized the approval of three professional services contracts and one construction contract, totaling \$493,675. The professional services contracts include 1) Ralph Andersen & Associates for management recruitment services for \$35,000; 2) David Perry and Associates for public affairs consulting for \$38,950; and 3) Esther Reyes Consulting for contract consulting in a not to exceed amount of \$45,000. David Perry and Associates (an LGBT firm) is in the process of becoming certified as an LBE and Esther Reyes Consulting is a Hispanic micro-LBE firm. The Executive Director authorized approval of one construction contract that was awarded to a micro-LBE prime, JDB Construction, for the Pier 50 Covered Storage Shed project in a not to exceed amount of \$374,725.

2. Port Commission Approved Contracts (\$681,547; 1 contract). The Blue/Greenway Signage contract was approved by the Port Commission and awarded on August 13, 2013 to Cal State Constructors, an LBE. The full amount of the contract will be completed by LBE firms, including 92% by the LBE prime and 8% by LBE subcontractors.

3. LBE Contract Participation in New Contract Awards. As discussed above, during the first half of FY 2013-14, the Port issued three new professional services contracts and two new construction contracts for a cumulative value of \$1.18 million. Three of the five (60%) of the contracts were awarded to LBE primes and one of the contracts was awarded to David Perry & Associates, which is currently in the process of becoming certified as an LBE. The fifth contract (with a total value of \$680,000) includes a subcontracting goal of 8%. Of the three contracts awarded to LBE primes, one was awarded as a Micro-LBE set aside and two were under \$50,000. As such, none of the

four contracts required additional LBE sub-contracting goals pursuant to Administrative Code Section 14B. Of the total values of these contracts, the Port awarded 94% to LBEs.

C. Actual Contract Payments: As shown in *Table 3* below, during the first half of FY 2013-14, total Port contract payments totaled \$8.59 million, of which \$7.75 million (90%) was for contracts governed by the LBE Ordinance and \$1.2 million (14%) was paid to LBEs. Of the \$1.2 million paid to LBEs, \$0.08 million (7%) was to LBE primes and \$1.12 million (93%) was to LBE subcontractors. Of the three contracting categories, the Port is exceeding CMD goals for as-needed and professional services contracts. However, payments under the construction contracts fell below the 16% average CMD goal for 14B contracts by 4%, as more fully explained below.

Table 3: Contract Payments and LBE Participation from July 1, 2013 – December 31, 2013

Transaction	Total Payments	Total 14B Payments	LBE Prime Payments	14B Sub Payments	Total LBE Payments	Overall LBE%	Sub LBE %	Ave. 14B Goal %*
As-Needed	\$537,990	\$537,990	\$39,076	\$190,742	\$229,817	43%	35%	21%
Construction	7,650,386	6,840,247	27,297	799,752	827,048	11%	12%	16%
Prof. Services	400,637	369,492	12,938	134,460	147,398	37%	36%	22%
Total	\$8,589,012	\$7,747,729	\$79,310	\$1,124,953	\$1,204,263	14%	15%	20%

* CMD Subcontracting Goal

However, as detailed in *Table 4* below, over the life of the Port's current open contracts performance in all three areas exceeds the average CMD goals for LBE subcontractor participation in those categories.

Table 4: Contract Payments and LBE Participation over the Life of Open Contracts

Transaction	Total Payments	Total 14B Payments	LBE Prime Payments	14B Sub Payments	Total LBE Payments	Overall LBE%	Sub LBE %	Ave. 14B Goal %*
As-Needed	\$6,100,902	\$6,100,902	\$735,316	\$1,406,121	\$2,141,437	35%	23%	21%
Construction	95,609,899	81,932,086	144,555	16,537,037	16,681,592	20%	20%	16%
Prof. Services	13,003,114	11,333,172	-	4,878,555	4,878,555	43%	43%	22%
Total	\$114,713,916	\$99,366,160	\$879,871	\$22,821,713	\$23,701,584	21%	23%	20%

* CMD Subcontracting Goal

1. As-Needed Contracts. As detailed in *Attachment 2*, as-needed contract payments to LBE subcontractors in FY 2013-14 are currently 35%, representing \$0.19 million in payments to LBEs. This result is above the average CMD requirement of 21% for these contracts. The real estate economics consulting related work performed particularly well (62% LBE subcontractors payments) while engineering (20%) and environmental (18%) related work are performing slightly below their average 14B goals of 21%. However, when looking at payments over the life of the contracts, all three contract areas are performing well above the CMD participation goals for LBE subcontractors.

2. *Construction Contracts.* As detailed in *Attachment 3*, construction contract LBE subcontractor payments in the first half of FY 2013-14 were made at a rate of 12%, representing \$0.80 million in payments to LBE subcontractors. This result is below the 16% average CMD requirement for these agreements. However, when viewed on a total spending over the life of all projects, the combined LBE spending exceeds average requirements with 20% participation. This result means that work for LBEs during the review period was lower than prior periods and does not indicate a problem in meeting the subcontracting goal requirements for most projects. Port and CMD staff will continue to monitor construction payments to LBE to ensure that Port contractors honor their contract commitments. As noted above, CMD defines LBE contracting compliance on the full amount of the contract and not on the individual payments.

While the majority of construction contracts are meeting or exceeded their individual LBE goals, the maintenance dredging, Marine Structural Projects III and Blue/Greenway Signage contracts are falling short of their goals. In the case of the maintenance dredging contract, payments to LBE subcontractors continued to perform under the CMD established 3% LBE goal, which was based on the estimated need for trucking contaminated dredge spoils for landfill disposal. Little of the Port dredging work has required landfill disposal of the dredged spoils and the Port does not expect significant contamination removal for planned dredging sites. While CMD staff has worked with the contractor to seek other possible LBE opportunities for this dredging work, the Port has been advised that this contractor will not likely meet the LBE goal.

With respect to a construction contract for the Marine Structural Projects III contract, the project manager advises that much of the contract's LBE related work is scheduled to take place in the second half of the fiscal year. Port and CMD staff has been monitoring the LBE utilization with the contractor and fully expect the contractor to reach the LBE goal by the completion of the project.

The Blue/Greenway signage contract was newly awarded in FY 2013-14 and has only received one payment to date to for \$20,250. Port and CMD staff expect future contract payments to be made to LBEs in accordance with the contract requirements. As the project progresses, staff will update the Port Commission on the contractor's performance in meeting its LBE goal.

In order to establish higher goals for Port construction projects in the future, CMD is working to expand the number of City-certified LBE firms available. CMD is continuing to work on certifying new LBE subcontractors and analyzing the scope of Port construction work to maximize LBE participation on new projects.

3. *Professional Services Contracts.* As detailed in *Attachment 4*, professional services contract LBE subcontractor payments for the first half of FY 2013-14 were made at a rate of 36%, representing \$0.13 million in payments and above the average CMD requirement of 22% for these agreements. When looking at payments over the life of the contracts, however, these contracts are achieving 43% participation – well above the CMD participation goals for LBE subcontractors.

For the majority of professional service contracts, spending to subcontractor LBEs was on track or outperforming the CMD requirements for contract close-out, the one exception being the Financial Advisory Services contract. For the Financial Advisory Services contract, when the contract was developed and the LBE goal established, the Port anticipated the work to be performed as only that related to the issuance of Port revenue bonds. However, the Port relied on City Certificates of Participation for America's Cup improvements and Phase I of the Cruise Terminal which added additional work to the contract. The Port is preparing to issue Port revenue bonds in the spring of 2014, which will create the opportunity to assign more of the work to an LBE subcontractor contract close-out.

D. Compliance with Local Hire Requirements: The San Francisco Local Hiring Policy for Construction applies to construction projects advertised for bid after March 25, 2011 that pertain to public works or improvements that are city funded with an engineer's estimate above \$400,000. The Local Hire Ordinance (Section 6.22.G.4 of the San Francisco Administrative Code) requires contractors and their subcontractors to attain a minimum of 20% total work hours by trade per project using San Francisco residents.³ The Ordinance also requires that 25% of apprentice hours per trade be performed by disadvantaged San Francisco residents. The program is managed by the Office of Economic and Workforce Development (OEWD). OEWD staff advises that all of the Port's 10 projects that are subject to the Local Hire Ordinance are compliant, as summarized in *Table 5*.⁴

Table 5 Local Hire Projection, FY 2013-14 (20% Local Hire and 25% Apprentice)

Projects	% Complete	OEWD-Approved Exemptions and Waivers	Local Hire Estimated %	Local Hire Apprentice %	Project Status
Cruise Ship Terminal	80%	Yes	29%	43%	Green
The Brannan Street Wharf	100%	Yes	21%	31%	Green
AC34 Improvements	100%	Yes	15%	27%	Green
Pier 33.5 Improvements	100%	Yes	45%	76%	Green
Hyde Street Harbor JQS Building	100%	Yes	20%	38%	Green
Heron's Head Park Improvement Project	100%	Yes	21%	55%	Green
Pier 50 Valley Substructure Repairs	100%	Yes	11%	64%	Green
Pier 35 North Apron Repair	100%	Yes	68%	0%	Green
Pier 23 Electrical for America's Cup	100%	Yes	66%	0%	Green
Roundhouse 2 HVAC Central Plant	100%	Yes	39%	0%	Green

³ Local Hire requirements increase from 20% to 25% on applicable contracts solicited after March 2012, and to 30% for contracts solicited after March 2013.

⁴ The color coding of the Local Hire Percent and Local Hire Apprentice Percent cells indicates whether the project is meeting its local hire requirement as of December 31, 2013 (Green), not yet meeting the requirement but expected to do so at project completion (Yellow), or the project is in danger of never meeting the Local Hire requirement by project completion (Red).

While all 10 project have all performed well, in some instances Local Hire estimates appear to be below the requirements due to conditional waivers and exemptions that were reviewed and approved by OEWD. The prime contractors for each of the projects listed in *Table 5* have requested conditional waivers and exemptions, including exemptions for marine related pile driving and operating engineering work, which are specialized trades that are exempt from the City's Local Hire Policy.

3. Legislative Update. No new legislation has been adopted regarding either LBE or Local Hire requirements. However, pursuant to the Local Hire Ordinance, Local Hire participation was scheduled to be raised in March 2014 to 35%. The Mayor's Construction Workforce Advisory Committee has recommended, and the Board of Supervisors has approved, maintaining the 30% mandatory local hire requirement, with no less than 15% of hours within each trade to be performed by disadvantaged works⁵, for an additional 12 months so that the City can conduct more analysis of payroll data. The next anticipated increase in Local Hire participation is scheduled for March 2015.

IV. CONCLUSION

During the first half of FY 2013-14, the Port awarded \$1.18 million in new contracts of which \$1.1 million, or 94%, was awarded to LBEs. The Port made \$8.56 million of contract payments, of which 1.2 million or 14% were to LBEs. Of the contracts which require LBE subcontracting goals, \$7.75 million in payments were made, of which 15% or \$1.12 million was paid to LBE subcontractors. Most contracts are meeting or exceeding their contractually obligated CMD goals based on overall contract spending to date.

The Port Commission has an informal policy that 20% of contract payments be made to LBEs. While the Port did not meet the Port Commission's policy during this reporting period, the Port is exceeding the goal over the life of these contracts with \$23.7 million or 21% of overall payments of \$114.7 million to LBEs.

Port staff will continue to work collaboratively with CMD and OEWD staff and the contractors in order to ensure continuing success in meeting LBE subcontractor participation and Local Hire goals. Monitoring and reporting allows staff to identify contractors that might have compliance issues early and rectify the situation prior to the completion of the contract. Port staff will work towards continued achievement of the Port's LBE subcontractor participation and Local Hire goals to meet or exceed all contract requirements and to expand small business and local hire opportunities on future projects.

Prepared by: E. Andrés Acevedo
Contract Administration

⁵ Disadvantaged worker means a City resident who (i) resides in a census tract within the City with a rate of unemployment in excess of 150% of the City's unemployment rate; or (ii) at the time of commencing work on a covered project has a household income of less than 80% of the Area Median Income, or (iii) faces or has multiple barriers to employment as set forth in Section 6.22(G)(2)(g) of the Administrative Code.

And

Meghan Wallace
Budget Manager

Prepared for: Elaine Forbes, Deputy Director
Finance & Administration

Uday Prasad
Acting Chief Harbor Engineer

cc: Contract Monitoring Division, Boris Delepine
Local 21, IFPTE, Ging Louie

Attachments:

Attachment 1:	Contracts Awarded in Fiscal Year 2013-14
Attachment 2:	As-Needed Contract Service Order (CSO) Payments
Attachment 3:	Construction Contract Payments
Attachment 4:	Professional Services Contract Payments

ATTACHMENT 1:
Contracts Awarded in Fiscal Year 2013-14
(July 1, 2013 - December 31, 2013)

Project Title	#	Vendor Name	Original Contract Amount	Total Contract Amount (with Mods)	LBE Subcontracting Goal %	LBE Prime Contracting Amount	Total LBE Subcontracting \$ Required	Awarded
Construction								
LBE Applicable								
Blue Greenway Signage	1	Cal State Constructors Inc. (LBE Prime)	\$681,547	\$681,547	8%	\$627,023	\$54,524	2nd Quarter
Total LBE applicable contracts			\$681,547	\$681,547	8%	\$627,023	\$54,524	
Construction Services Micro-LBE Set-Aside								
Pier 50 Covered Storage Shed	2	JDB Construction (Micro LBE)	\$374,725	\$374,725	N/A	\$374,725	N/A	2nd Quarter
Total Micro-LBE contracts			\$374,725	\$374,725	N/A	\$374,725	N/A	
Total Construction			\$1,056,272	\$1,056,272	N/A	\$1,001,748	N/A	
Professional Services								
Professional Services Exempt								
Contracting Consultant	3	Esther Reyes Consulting (Micro LBE)	\$45,000	\$45,000	N/A	\$45,000	N/A	1st Quarter
Public Relations Consultant	4	David Perry and Associates	\$38,950	\$38,950	N/A	\$0	N/A	2nd Quarter
Executive Recruitment	5	Ralph Andersen & Associates	\$35,000	\$35,000	N/A	\$0	N/A	2nd Quarter
Total Exempt contracts			\$118,950	\$118,950	N/A	\$45,000	N/A	
Total Professional Services			\$118,950	\$118,950	N/A	\$45,000	N/A	
Total LBE Goal Applicable contracts								
Total LBE Goal Applicable contracts	1		\$681,547	\$681,547	N/A	\$627,023	\$54,524	
Total Micro-LBE Set-Aside Contract	1		\$374,725	\$374,725	N/A	\$374,725	N/A	
Total non-LBE Applicable Contracts	3		\$118,950	\$118,950	N/A	\$45,000	N/A	
Total Contracts	5		\$1,175,222	\$1,175,222	N/A	\$1,046,748	\$54,524	

ATTACHMENT 2:
As-Needed Contracts, FY 2013-14
(July 1, 2013 - December 31, 2013)

AS-NEEDED CONTRACTS											
			First Quarter			Second Quarter			Total FY 2013-14		
As Needed Contracts (All 148 Contracts)	Total Contract Amt.	LBE Goal %	Total Payments In Qtr.	LBE Prime Payments	LBE Sub Payments	Overall LBE %	Sub LBE %	Total Payments In Qtr.	LBE Prime Payments	LBE Sub Payments	Overall LBE %
Real Estate*											
Bay Area Economics	\$500,000	22%	\$41,404	\$0	\$6,225	15%	15%	\$48,152	\$0	\$39,726	83%
Safeti Consulting, LBE	\$500,000	22%	\$0	\$0	\$0	0%	0%	\$0	\$0	\$0	0%
Economic Planning Systems	\$500,000	22%	\$33,038	\$0	\$38,965	88%	88%	\$19,404	\$0	\$5,029	26%
Kaiser Marston Assoc	\$500,000	22%	\$37,404	\$0	\$23,974	69%	69%	\$23,923	\$0	\$19,911	83%
Subtotal, Real Estate Services	\$2,000,000	22%	\$111,846	\$0	\$71,685	68%	68%	\$91,478	\$0	\$84,666	71%
Engineering & Related											
Cresgreen + D'Amico/F.E. Jordan, LBE (2013)	\$1,500,000	20%	\$2,105	\$0	\$0	0%	0%	\$0	\$0	\$0	0%
Cresgreen + D'Amico/AGS LBE JV (2017)	\$1,500,000	21%	\$68,387	\$3,915	\$55,828	6%	6%	\$15,613	\$15,613	\$174,214	14%
Winer + Kelly/SDE JV	\$1,500,000	20%	\$51,685	\$0	\$29,112	56%	56%	\$26,357	\$0	\$4,917	19%
URS/AGS JV**	\$1,500,000	20%	\$0	\$0	\$0	0%	0%	\$0	\$0	\$0	0%
Genovese/SDE JV	\$1,500,000	21%	\$2,265	\$0	\$0	0%	0%	\$12,768	\$0	\$7,646	21%
Genovese/AGS LBE JV	\$1,500,000	21%	\$1,000	\$0	\$0	0%	0%	\$0	\$0	\$0	0%
Subtotal, Engineering & Related	\$9,000,000	21%	\$174,392	\$3,915	\$89,122	27%	27%	\$34,382	\$15,613	\$18,667	23%
Environmental & Related											
Baseline (2010)	\$1,000,000	20%	\$4,158	\$0	\$0	0%	0%	\$34,433	\$0	\$5,640	16%
Baseline (2013)	\$1,000,000	22%	\$0	\$0	\$0	0%	0%	\$0	\$0	\$0	0%
Tetra Tech/AEW, LBE JV (2010)	\$1,000,000	20%	\$22,424	\$17,424	\$0	78%	0%	\$5,872	\$2,124	\$3,318	79%
Weiss Associates (2010)	\$1,000,000	20%	\$9,695	\$0	\$0	0%	0%	\$37,729	\$0	\$11,369	30%
Subtotal, Environmental & Related	\$4,000,000	21%	\$36,276	\$17,424	\$0	48%	0%	\$79,034	\$2,124	\$20,322	28%
TOTAL As-Needed Contracts	\$15,000,000	21%	\$272,616	\$21,339	\$90,197	41%	33%	\$256,416	\$17,737	\$100,646	46%

Bolded Firms are City-Certified LBEs.

* Past contract staff is working with project management staff to review the development of the contract services orders to ensure LBE opportunities

** URS/AGS JV is working on several homeland security related projects for which there is a limited number of LBE's available with the specific expertise or skills needed

*** Past contracting and environmental staff will be meeting with Weiss Assoc and CMO staff to review the situation and develop a strategy to get Weiss into compliance

ATTACHMENT 3:

* Federal Grant

ATTACHMENT 4:
Professional Service Contracts, FY 2013-14
(July 1, 2013- December 31, 2013)

PROFESSIONAL SERVICE CONTRACTS											
First Quarter				Second Quarter				Total FY 2013-14			
Professional Services Contracts	Total Contract Amt.	LBE Goal %	Total Payments in Qtr.	LBE Prime Payments	LBE Sub Payments	Overall LBE %	Sub LBE %	Total Payments in Qtr.	LBE Prime Payments	LBE Sub Payments	Overall LBE %
148 Contracts											
Public Financial Management *	\$448,000	40%	\$0	\$0	\$0	0%	0%	\$10,000	\$0	\$0	0%
WKS JV	\$1,905,292	20%	\$0	\$0	\$0	0%	0%	\$0	\$0	\$0	0%
AECOM	\$708,850	12%	\$4,726	\$0	\$4,246	90%	0%	\$4,726	\$0	\$4,246	90%
KMD/Plan Long	\$9,950,000	15%	\$96,979	\$0	\$32,805	34%	37%	\$354,766	\$0	\$129,206	36%
Subtotal, 148 Contracts	\$13,016,142	22%	\$101,705	\$0	\$37,051	36%	36%	\$369,492	\$0	\$133,452	36%
Micro-LBE Contracts											
Media Consulting International, Micro LBE	\$38,950	N/A	\$0	\$0	\$0	0%	0%	\$0	\$0	\$0	0%
Molly Duggan Associates, Micro LBE	\$110,000	N/A	\$0	\$0	\$0	0%	0%	\$0	\$0	\$0	0%
Evans & Associates, Micro LBE	\$50,000	N/A	\$0	\$0	\$0	0%	0%	\$0	\$0	\$0	0%
Calvin Reyes, Micro LBE	\$45,000	N/A	\$6,375	\$0	\$0	100%	N/A	\$6,663	\$6,663	\$0	100%
Subtotal Micro-LBE Contracts	\$243,950	N/A	\$6,375	\$0	\$0	100%	N/A	\$6,663	\$6,663	\$0	100%
Non-LBE Contracts											
Calhoun M. Hooper	\$9,999	N/A	\$0	\$0	\$0	0%	0%	\$4,000	\$0	\$0	0%
Creagan - D'Angelo	\$1,566,000	N/A	\$6,842	\$0	\$1,008	15%	0%	\$6,842	\$0	\$1,008	15%
Mariposa Leadership	\$9,999	N/A	\$0	\$0	\$0	0%	0%	\$0	\$0	\$0	0%
Roger L. Peters	\$45,000	N/A	\$3,078	\$0	\$0	0%	0%	\$4,288	\$0	\$0	0%
Ralph Andersen & Associates, LBE	\$35,000	N/A	\$0	\$0	\$0	0%	0%	\$0	\$0	\$0	0%
San Francisco Conservation Corps	\$285,000	N/A	\$0	\$0	\$0	0%	0%	\$0	\$0	\$0	0%
Subtotal, 6 Non-LBE Contracts	\$1,960,998	N/A	\$9,920	\$0	\$1,008	10%	N/A	\$8,288	\$0	\$1,008	6%
TOTAL Professional Services Contracts	\$15,210,090	22%	\$118,000	\$4,375	\$38,059	38%	N/A	\$222,437	\$6,663	\$134,460	37%



MEMORANDUM

April 18, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Request approval of the Use of Track Agreement with Union Pacific Railroad Company ("UP") granting Port the right to use the Quint Street Lead track jointly owned by UP and Burlington Northern Santa Fe Railway Company ("BNSF") for the purpose of reconstructing the track with grant funds provided to the Port by the Federal Railroad Administration

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Executive Summary

Port of San Francisco staff applied for and was awarded a \$2,970,000 grant from the U.S. Department of Transportation's Federal Railroad Administration's (FRA) Rail Line Relocation and Improvement (RLR) Grant Program (with ten percent Port matching funds which are included in the Port's capital project budget) to rebuild the Quint Street Lead Track (Project). The Quint Street Lead (Lead) is an approximately nine-tenths of a mile long freight rail spur track connecting the Peninsula corridor mainline with the Port of San Francisco cargo terminals and rail yard, located on the south side of Islais Creek, just east of Third Street. The mainline is owned and operated by the Peninsula Corridor Joint Powers Board (JPB) primarily for Caltrain commuter rail. The Lead is jointly owned by BNSF and UP (or "Railroad"). The Lead and the mainline are illustrated on the attached map.

The Port Commission authorized the Executive Director to accept and expend the grant funds at the October 8, 2013 Commission meeting subject to Board of Supervisors approval (Port Commission Resolution 13-40). Environmental review for the Project is now complete and Port staff will seek Board of Supervisors' authorization to accept and expend the FRA grant funds. The next steps in the process are 1) execute a Use of Track Agreement with UP providing the Port of San Francisco with control over the track during the construction period subject to terms and conditions summarized below; 2) after Board of Supervisors approval, enter into a grant agreement with the FRA; 3)

THIS PRINT COVERS CALENDAR ITEM NO. 12A

prepare engineering drawings, specifications and secure permits; 4) request Port Commission approval to advertise the Construction Contract for competitive bids and to award the contract to the lowest responsive and responsible bidder; and 5) complete the construction work and return the improved track to the Railroad.

Discussion of Track Agreement

In the early 1900s, the City and County of San Francisco granted Railroad's legal predecessors a franchise to install and operate rail track on City streets which rail track is now known as the Quint Street Lead. As the result of some changes in the mid-1970s, a portion of the Lead track was realigned to its current location and was covered by a City permit rather than a franchise. The proposed Use of Track Agreement ("Agreement") does not modify the basic terms and conditions of the City permit.

The Agreement provides the Port of San Francisco access and use of the Railroad-owned track for the purpose of reconstructing the existing Quint Street Lead track and lays out the terms and conditions of that access and use during the period the Port's appointed construction contractor is working on the track, and describes the work that will be performed in the Scope of Work attached to it. The Agreement provides that the work will be completed in phased segments, and that each segment will be inspected and accepted back into service by Railroad, so that the railroad can continue to operate and serve the Port's rail business between work segments. The Agreement notes that no fees shall be associated with the use of the track.

The term of the Agreement extends until December 31, 2015 unless the parties mutually agree to extend it. The Agreement will terminate as to each track segment completed on the date the construction segment is accepted by the Railroad.

The Agreement outlines responsibilities for maintenance of the track during the period of construction. The Port will be responsible for the maintenance of the track segments under construction and the Railroad will retain responsibility for maintenance of the segments of track not under construction or accepted by Railroad post-construction.

The Agreement provides safety guidelines for the safe construction and operation of the track as well as guidelines for compliance with existing laws.

Regarding liability, the Agreement specifies a mutual and comparative negligence standard - the Railroad will indemnify the Port from and against any claims for loss growing out of the negligent acts or omissions of the Railroad, and the Port will likewise indemnify the Railroad from any loss from its own negligence until acceptance of each construction segment by the Railroad. Port will also indemnify the Railroad for Port's impairment of clearances or intraplant switching; environmental releases; and any damage to cargo or commodity stored in railcars on the track. The City's Risk Manager has reviewed and approved these indemnity provisions. To the maximum extent possible, Port will seek an indemnity from its contractors for these obligations. With respect to tax liability, City contracts generally assign all tax liability to the contractors. In this case, the Agreement recites the intent of the parties to make the Agreement exempt from income taxes under federal tax laws and that Railroad will be responsible

for reporting property taxes. However, there may be other tax consequences (e.g., sales and use taxes) that cannot be fully analyzed since Port does not usually act in the role of a contractor. Again, to the maximum extent possible, Port will pass potential tax obligations through to its contractors. Each party assumes liability for claims or actions brought by its own employees. The Port or its contractor will be required to provide evidence of insurance as required by the Railroad; the Port intends to require its construction contractor(s) to provide the required insurance.

The Agreement requires the Port to receive written consent from BNSF of the construction work the Port intends to perform under this Agreement. The Port will obtain this written consent from BNSF.

The Agreement is contingent upon the Port's receipt of the FRA's grant funding and will be null and void if the Port does not receive this grant funding.

Finally, in the course of negotiating the Agreement, we discovered that the railroad franchise for a small portion of the Lead track (from just south of Custer Avenue to Arthur Avenue) had inadvertently been allowed to lapse when the City permit was issued in the 1970s. The Port and Railroad have agreed to expeditiously negotiate in good faith to reach agreement on a City or Port permit (or similar agreement) with terms and conditions substantially equivalent to those in the original franchise and 1970s City permit and consistent with current laws that would grant Railroad continuing rights to operate track on the lapsed portion.

Environmental Review

Staff and the FRA have completed all necessary environmental review under the National Environmental Policy Act (NEPA) with the issuance of a Categorical Exclusion by the FRA on March 26, 2014 and under the California Environmental Quality Act (CEQA) with a Categorical Exemption issued by the S.F. Planning Department on April 11, 2013.

If the Port Commission approves the proposed Agreement through the attached Resolution based on this categorical exemption, its action constitutes the "Approval Action" (as defined in S.F. Administrative Code Chapter 31, as amended, Board of Supervisors Ordinance Number 161-13). As such, the CEQA decision prepared in support of this Approval Action will be subject to appeal within the time frame specified in S.F. Administrative Code Section 31.16. Typically, an appeal must be filed within 30 calendar days of the Approval Action (for information on filing an appeal under Chapter 31, contact the Clerk of the Board of Supervisors at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, or call 415-554-5184). With respect to this Agreement, the Planning Department's Environmental Review Officer has deemed the activities to be exempt from further environmental review and an exemption determination has been prepared and can be obtained on-line at <http://sf-planning.org/index.aspx?page=3447>. Under CEQA, in a later court challenge, a litigant may be limited to raising only those issues previously raised at a hearing on the project or in written correspondence delivered to the Board of Supervisors, Planning

Commission, Planning Department or other City board, commission or department at, or prior to, such hearing, or as part of the appeal hearing process on the CEQA decision.

Recommendation

Port staff recommends that the Port Commission approve the Use of Track Agreement with Union Pacific Railroad granting the Port of San Francisco the right to use the Quint Street Lead track jointly owned by the Union Pacific and BNSF Railway for the purposes of reconstructing the track using grant funds (and Port matching funds) provided to the Port by the Federal Railroad Administration.

Prepared by: Jim Maloney
Maritime Marketing Manager

For: Peter Dailey
Deputy Director, Maritime

Attachment:
Map of Project Area

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-23

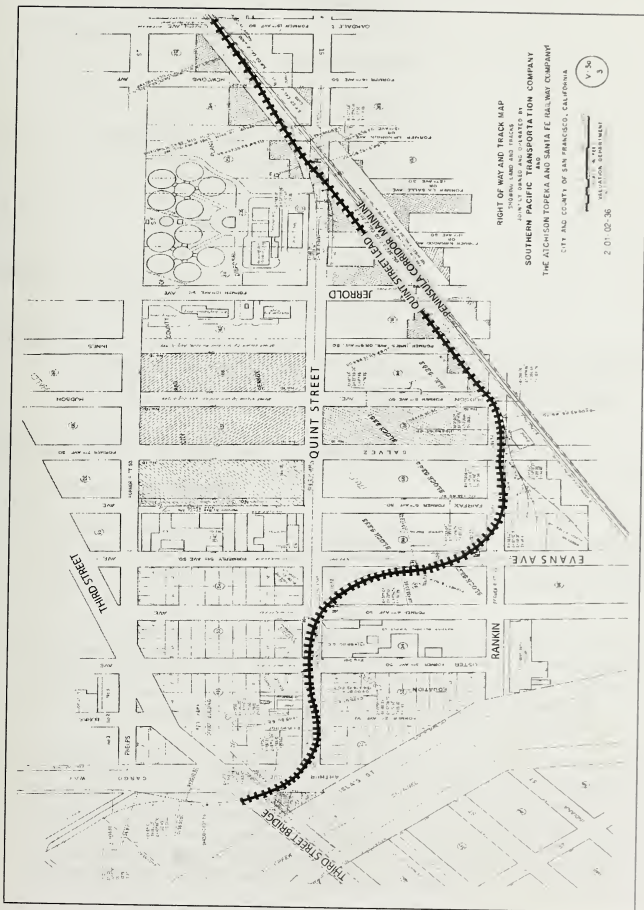
- WHEREAS, Port of San Francisco staff has applied for and was awarded a \$2,970,000 grant from the Federal Railroad Administration (FRA) to rebuild the Quint Street Lead Track (Lead) with ten percent Port matching funds (the "Project"); and
- WHEREAS, The Lead is an approximately nine-tenths of a mile long freight rail spur track connecting the Peninsula corridor mainline with the Port of San Francisco cargo terminals and rail yard; and
- WHEREAS, The Lead is jointly owned by Union Pacific Railroad Company (UP) and BNSF Railway Company (BNSF); and
- WHEREAS, The Port Commission authorized the Executive Director to accept and expend the grant funds at the October 8, 2013 Commission meeting in Port Commission Resolution 13-40 subject to Board of Supervisors' approval; and
- WHEREAS, The S.F. Planning Department issued a Categorical Exemption for the Project on April 11, 2013 in compliance with the California Environmental Quality Act (CEQA) and the FRA issued a Categorical Exclusion for the Project on March 26, 2014 under the National Environmental Policy Act (NEPA) and the proposed action is the Approval Action as defined by S.F. Administrative Code Chapter 31; and
- WHEREAS, The Use of Track Agreement ("Agreement"), which is contingent upon Port receiving the FRA grant funds, provides the Port of San Francisco access and use of the UP/BNSF-owned track for the purpose of reconstructing the existing Quint Street Lead track and lays out the parties' respective obligations and liabilities for such access and use, including safety guidelines, segmenting the work, maintenance, mutual indemnities and indemnities by Port, and insurance requirements; and now, therefore be it
- RESOLVED, That, effective immediately, the Port Commission approves the Agreement with UP granting the Port of San Francisco the right to use the Quint Street Lead track jointly owned by the UP and BNSF for the purposes of reconstructing the track using grant funds provided to the Port by the FRA; and be it further
- RESOLVED, That the Port Commission authorizes the Executive Director or her designee to enter into memoranda of understanding with city departments as necessary to implement the Project and to execute the

Agreement and to enter into any extensions, additions, amendments or other modifications to the Agreement that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the City or Port or materially decrease the benefits to the City or Port, and are necessary or advisable to complete the transactions which the Agreement contemplates and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director or her designee of the Agreement, and any such amendments thereto.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of April 22, 2014.

Secretary

ATTACHMENT MAP OF PROJECT AREA





MEMORANDUM

April 18, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *M. Moyer*
Executive Director

SUBJECT: Request approval to issue a Request for Proposals (RFP) for a retail space located at Pier 33 North (33½) on the Embarcadero at the foot of Bay Street to San Francisco small businesses currently working with San Francisco community-based organizations

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

I. EXECUTIVE SUMMARY

The Port of San Francisco recently renovated and brought into code compliance office and retail space at Pier 33½, located on the Embarcadero at Bay Street. This facility is located between the Alcatraz Landing site and the Pier 35 cruise ship terminal.

Per City and Port policy, all retail opportunities must be publically bid. It is the Port's desire to issue a Request for Proposals (RFP) for a five (5) year lease or leases for the retail portion of this facility which consists of 1,942 square feet of ground floor space. It is also the Port's desire to expand the pathways to opportunity to include Local Business Enterprises (LBE) in Port facilities.

Historically, Port retail sites have required a sizeable capital injection by a new tenant because of the challenged condition of the property. This large capital requirement has been a barrier to the ability of many small businesses to participate in the Port's RFPs or as tenants. Pier 33½ has been renovated recently by the Port using revenue bond funding. The Port is fortunate to have a turn-key retail space(s) to offer for bid that will be accessible to local small businesses without such a sizeable capital requirement.

THIS PRINT COVERS CALENDAR ITEM NO. 13A

To ensure that the Port expands its opportunities to local small businesses, Port staff proposes a pilot program that would offer this opportunity on a competitive basis to those small businesses currently working with San Francisco community-based non-profit organizations (CBOs).

II. PROJECT OBJECTIVE

The Port wishes to expand opportunities to small local business enterprises and therefore competitively offers this opportunity on a targeted basis to those small businesses currently working with San Francisco community-based organizations that provide technical assistance to Local Business Enterprises (LBE) (described below).

The successful Respondent(s) will propose a retail use that serves the northern waterfront visitors, neighbors and local workforce employees. This opportunity provides a chance for small businesses to grow and expand which results in increased revenue, expanded product/goods sales and job creation for local residents.

The bid will be awarded to the Respondent(s) that meets the stated criteria for an LBE and based on the recommendation of the selection panel that (i) the proposal is the most creative use; (ii) the proposal is supported by a strong business plan(s) and financing; and (iii) the Respondent is committed to ongoing technical assistance that it receives from the CBO with which it is a client.

III. OPPORTUNITY

The opportunity consists of either one or two parcels consisting of a combined 1,942 square feet of ground floor retail space (one parcel of 512 sq. ft. and one parcel of 1,430 sq. ft.) located at Pier 33 north (also known as Pier 33½) in the Port's northern waterfront. The parcels can be leased separately as two parcels or combined into one parcel. The facility is in close proximity to the Pier 35 Cruise Terminal, the newly constructed James R. Herman Cruise Terminal at Pier 27, Pier 39, Alcatraz Landing and Fisherman's Wharf.

A Respondent or group of Respondents can submit a proposal that allows for more than one entity in collaboration with other entities sharing either or both parcels, the rent and the utilities. If the successful Respondent is part of a group of entities, the Port is willing either to execute a single lease providing for joint and several liability between the separate entities or execute a lease with a single legal entity formed by the separate parties. If separate entities, the Respondents' proposal (and the final lease) must include a description of how the separate entities would share rent, utilities, insurance, maintenance and other lease obligations.

If, for any reason a lease or one of the collaboration partners is terminated during the term of the lease, Port staff will first attempt to replace that tenant with the next highest ranked Respondent from the RFP.

The facility is a “warm shell” which means that the facility is improved to the walls and floors and is ready for tenant improvements which are to be completed by the tenant, at the tenant’s sole cost and expense, once the lease has been negotiated and executed. This will require the tenant to set up its own utilities and build any leasehold improvements, after obtaining Port issued permits. Respondents may propose to use the facility for either retail or for related activities such as a casual café. However there are no cooking amenities available and the facility cannot be permitted to accommodate cooking/venting, therefore a full service restaurant cannot be considered.

RESPONDENT QUALIFICATIONS

Qualified Respondents must be able to demonstrate the ability to:

- operate a retail establishment and negotiate a lease and related documents for the retail facility;
- successfully create an establishment that provides the surrounding neighborhood and businesses with affordable, high quality goods and services;
- serve the visiting public and local workers and surrounding residents; and
- provide locally made foods and goods (or other products with demonstrated equivalent benefits) for sale or consumption on-site

The Port is defining an LBE for purposes of the proposed RFP as:

- a business whose primary place of business is a fixed address in San Francisco;
- a business client of a San Francisco non-profit CBO
- a business that has been in operation for a period of three years or more in San Francisco with a current business license;
- a business with annual sales less than \$3 million; and
- a business with 10 employees or less.

IV. EVALUATION PROCESS

Port staff will screen all submitted proposals to determine if they are responsive to the RFP and meet minimum qualifications. Responsive packages will then be submitted to the selection review panel for evaluation.

The proposals will be evaluated and scored by a selection review panel designated by Port staff. Port staff currently anticipates that the panel will be made up of three community representatives who have expertise in analyzing business plans and financial statements and are business consultants and/or small business owners. The selection panel will also include two or more members of City and Port staff.

After evaluating the written proposals, the top five (5) highest scoring (minimum 50 points or higher) Respondents/proposals (whether they are individual businesses or a part of a collaborative group) will be invited back by the selection review panel for further questions, oral interviews and/or presentations. These interviews will be included in the scores.

The evaluation will include but is not limited to:

- completeness and creativity of the business plan;
- financial strength and history of the Respondent business (tax returns, profit and loss statement, cash flow statement, balance sheet and pro forma, and credit history);
- business plan and pro forma for the proposed use
- prior experience;
- proposed use of the retail site based on Port's desired use and public serving mission;
- working relationship with a San Francisco CBO whose mission is to assist LBEs with starting and growing small businesses and whose mission is dedicated to job creation; and
- references (Port staff and/or members of the selection panel will contact references).

V. COMMUNITY PARTNERS

To assist the Port in identifying successful Respondents, staff is outreaching to CBOs in San Francisco whose goals are to assist entrepreneurs in starting their

businesses and providing ongoing technical assistance as they grow their businesses.

San Francisco has a resource of non-profit organizations (CBOs) that provide technical assistance to local entrepreneurs in starting their business. As the small businesses grow, CBO consultants (many of whom are successful business owners themselves) provide their expertise in accounting, marketing, hiring and financing. Some of these CBOs provide incubator space for the new businesses until they grow to the point of needing larger space. Many of the CBO consultants come from the finance industry, Small Business Administration or other private corporations. The CBOs provide ongoing technical assistance and consulting to these emerging businesses that are a source of job creation and economic vitality in the communities in which they operate.

The Port has identified the following CBOs that could be helpful in this RFP (other CBOs are also welcome to participate and LBEs working with CBOs not listed will be eligible to bid):

Bayview Business Resource Center
Chinatown Community Development Center
LGBT Center
La Cocina
Local Initiative Support Corporation (LISC)
Mission Economic Development Agency
Northeast Community Federal Credit Union
Roberts Enterprise Development Fund (REDF)
Renaissance Entrepreneurship Center
SFMade
Southeast Asian Community Center
ToolWorks
Urban Solutions
Women's Initiative

The Port is not seeking any financial or risk commitment from the CBOs through this partnership, just ongoing support for their clients who will be the Port tenant that is awarded the RFP.

VI. TERMS

The Lease(s) term will be five years. As is the Port's custom for retail properties, rent will be paid as the greater amount of either base rent or percentage rent. The proposed minimum base rent as set in the Port Commission's FY 2013-14 Rental Rate Schedule is as follows:

512 square feet	@ \$2.50 = \$1,280 per month
1,430 square feet	@ \$2.50 = \$3,575 per month
1,942 square feet	@ \$2.50 = \$4,855 per month (total)

OR 7% of gross retail sales, whichever is greater.
The monthly base rent will increase annually by 3%.

The security deposit will be equal to twice the base rent in the last year of the lease.

Tenant will be required to provide evidence of the requisite insurance in the amount and types required by the standard Port lease.

Tenant will be required to comply with all other standard Port lease terms, including Port's right to terminate, audit rights, default and remedy, indemnity, and hazardous materials provisions and all applicable City laws and Port policies.

VII. NEXT STEPS

Once Port staff has Port Commission agreement to proceed with this pilot project, Port staff anticipates the following schedule:

April 24, 2014 – Staff will issue an RFP (see final draft attached)

April 29, 2014 - Port Real Estate will host representatives of the CBOs, other City departments and chambers of commerce to introduce this pilot project and tour the space

June 5, 2014 – A pre-submittal meeting and workshop will be held for potential Respondent businesses at the Pier 33½ site to answer questions and view the facility

August 11, 2014 3:00 pm – Proposals are due and must be hand delivered no later than 3:00 PM to the Port of San Francisco Offices located at Pier 1, the Embarcadero, San Francisco 94111

August 13 – September 30, 2014 – Port staff will screen responses and then Panel will review and evaluate the qualified proposals and score the Respondent(s)

October 6, 2014 – The most qualified Respondent(s), based on the Panel's evaluation and recommendation, will be contacted and announced

October 14, 2014 - Port staff will return to the Port Commission to share the RFP results and staff recommendations; Port Commission will award the opportunity and direct staff to negotiate a lease(s)

October, 2014 - Lease negotiations will begin

December 16, 2014 - Port staff will return to Port Commission to review the proposed lease terms and seek approval thereof.

If the lease is determined to require Board of Supervisor approval, that approval will follow the above process.

RECOMMENDATION:

Port staff recommends Port Commission approval to issue a Request for Proposals (RFP) for a retail space located at Pier 33 North (33½) on the Embarcadero at the foot of Bay Street to San Francisco small businesses currently working with San Francisco community-based organizations.

Prepared by: Susan Reynolds
Deputy Director, Real Estate

Jeff Bauer
Senior Leasing Manager

Attachments

- 1) Site location map and site plan
- 2) Draft Request for Proposals (without APPENDICES*)

*APPENDICIES on file with the Commission Secretary and will be posted on the Port's website at www.sfport.com

PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO

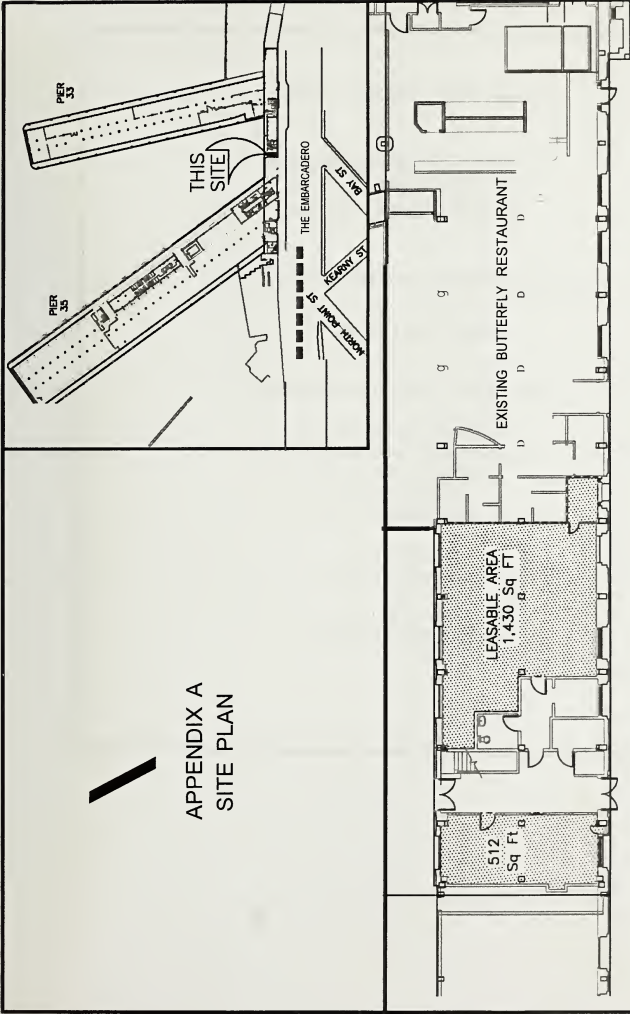
RESOLUTION NO. 14-24

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco; and
- WHEREAS, under City and Port policy, all retail opportunities must be publically bid and the Port wishes to issue a Request for Proposal (RFP) for retail space at Pier 33½ which is located in the northern waterfront on the Embarcadero at Bay Street; and
- WHEREAS, the opportunity consists of a lease or leases for a term of five (5) years for up to 1,942 square feet of ground floor retail space located at Pier 33½ at Bay and the Embarcadero; and
- WHEREAS, the Port wishes to expand opportunities to small local businesses (LBEs) and therefore will offer this opportunity to those small businesses currently working with San Francisco community-based organizations (CBOs) that provide technical assistance to LBEs; and
- WHEREAS, the qualifications, criteria and process for selecting the most qualified Respondent(s) are summarized in the staff memorandum accompanying this resolution and fully presented in the draft RFP attached to the Memorandum; now therefore be it
- RESOLVED, that the Port Commission authorizes Port staff to issue an RFP substantially in the form attached to the staff memorandum; and be it further
- RESOLVED, Port staff will return to the Port Commission to share the RFP results and seek approval of the most qualified Respondent(s).

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of April 22, 2014.

Secretary

APPENDIX A SITE PLAN



LEASE NO.

SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
"p.p.c." - DEPARTMENT OF ENGINEERING

TENANT

PIER 33 1/2
GROUND FLOOR

DRAWN BY: E.C.C.

DESIGNED BY: T.T. EDWARDS

DATE: APR. 16, 2014

1" = 20' HOR. INT.

1" = 20' VERT. INT.

SHEET NO.

OF

SHEETS

WWW.SANFRA.COM/PIERS/P33-2014-001

PORT OF SAN FRANCISCO

**REQUEST FOR PROPOSALS
RETAIL OPPORTUNITY
Pier 33½ Retail Premises**

CITY AND COUNTY OF SAN FRANCISCO

Edwin M. Lee., Mayor

SAN FRANCISCO PORT COMMISSION

Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

Monique Moyer
Executive Director

Susan Reynolds
Director of Real Estate

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APPENDICES

Appendix A: Site Plan

Appendices B-D are on file with the Port Commission Secretary

I. BACKGROUND

The Port of San Francisco has renovated and brought to code office and retail space at Pier 33½, located on the Embarcadero at Bay Street.

This opportunity consists of a combined 1,942 square feet of ground floor retail space located at Pier 33 north (also known as Pier 33½) in the Port's northern waterfront. The parcels can be leased separately as two parcels or combined into one parcel by one or multiple tenants. The facility is in close proximity to the Pier 35 Cruise Terminal, the newly constructed James R. Herman Cruise Terminal at Pier 27, Pier 39, Alcatraz Landing and Fisherman's Wharf.

In order to expand the pathways to opportunity to include Local Business Enterprises (LBE) and because Pier 33½ has been recently renovated by the Port, the Port is offering this turn-key retail space to local small businesses that meet the qualifications described in this RFP.

II. PROJECT OBJECTIVES

The Port's objective is to offer a five year market rate retail lease to an emerging San Francisco local business enterprise (LBE) that is working with one of many community-based organizations (CBO) that assist small businesses in starting and growing their business. The qualified LBE will have demonstrated financing and a well-developed business plan that will exhibit the best concept that serves the visiting public, local workers and surrounding residents.

III. OPPORTUNITY

The opportunity consists of a five (5) year retail lease or leases for a combined 1,942 square feet of ground floor retail space (one parcel consisting of 512 sq. ft. and one parcel consisting of 1,430 sq. ft.) located at Pier 33 north (also known as Pier 33½) in the Port's northern waterfront. The Port is open to having a lease with more than one tenant in either or both of the parcels. If a Respondent wishes to submit a proposal that includes a collaboration of more than one business entity, the Port is open to entertaining more than one entity and the Port is willing either to execute a single lease providing for joint and several liability between the separate entities or execute a lease with a single legal entity formed by the separate parties. The proposal must include a description of how the separate entities would share rents, utilities, insurance, maintenance and other lease obligations. The lease will reflect these terms.

The facility is a "warm shell" which means that the facility is improved to the walls and floors and is ready for tenant improvements which are to be completed by the tenant, at its sole cost, once the lease has been negotiated and executed. This will require the tenant to set up its own utilities and build any leasehold improvements, after obtaining Port issued permits. A Respondent may propose to use the facility for either retail or restaurant activities such as a casual café. However there are no cooking amenities

available and the facility cannot be permitted to allow cooking and the required ventilation. Accordingly, full service restaurants will be prohibited. It is the Port's desire to provide retail uses that will serve the visiting public, local workers and surrounding residents. Locally made foods and goods for sale or consumption on-site are preferred.

The facility is in close proximity to the Pier 35 Cruise Terminal, the newly constructed James R. Herman Cruise Terminal at Pier 27, Pier 39, Alcatraz Landing and Fisherman's Wharf. A site plan is attached as **Appendix A**.

IV. RESPONDENT QUALIFICATIONS AND PROPOSAL CRITERIA

Each submittal must include a written proposal of the business concept and products and the how space will be utilized to serve the public and assist in the growth of the small business.

Each submittal must also include a completed Port leasing application which is provided in **Appendix B** attached.

Respondents must be able to demonstrate the ability to:

- operate a retail establishment and negotiate a lease and related documents for the retail facility;
- successfully create an establishment that provides the surrounding neighborhood and businesses with affordable, high quality goods and services;
- serve the visiting public, local workers and surrounding residents; and
- provide locally made foods and/or goods (or other products with demonstrated equivalent benefits) for sale or consumption on-site.

For purposes of this RFP, an LBE must meet all of the following criteria:

- a business whose primary place of business is a fixed address in San Francisco; and
- a business client of a San Francisco non-profit CBO; and
- a business that has been in operation for a period of three years or more in San Francisco with a current business license; and
- a business with annual sales less than \$3 million; and
- a business with 10 employees or less.

Respondents that do not meet all of the above criteria will not be eligible to bid on this opportunity.

For purposes of this RFP, a CBO is non-profit organization located in San Francisco whose purpose is to provide no or low-cost technical assistance to individuals who want to start or grow a business, or to provide small business with the tools and technical assistance to improve and grow their small business.

Respondent(s) meeting the above minimum criteria must exhibit the ability to develop and operate a retail establishment with the goal of negotiating a lease and related documents for the lease of the retail facility. The Port intends to select a Respondent(s) that can successfully create an establishment that provides the surrounding neighborhood and businesses with affordable, high quality goods and services.

Each Respondent must submit a developed business plan, financial pro forma and demonstrate access to needed financing for the operation of this business enterprise.

The proposals will be evaluated and scored by a selection review panel designated by Port staff. Port staff currently anticipates that the selection review panel will be made up of three San Francisco community representatives who have expertise in analyzing business plans and financial statements and who are business consultants and/or small business owners. The selection review panel will also include one or more members of City and/or Port staff with expertise in small business operations, lease management and the RFP process.

V. PROPOSED RENT AND KEY LEASE TERMS

Permitted Use

The permitted use will be retail uses that will serve the visiting public and local workers and surrounding residents. Locally made foods and goods for sale or consumption on-site are preferred.

Base Rent

Rent will be paid as the greater amount of either base rent or percentage rent. The proposed minimum base rent as set in the Port Commission's FY 2013-14 Rental Rate Schedule is as follows and must be included in each proposal:

512 square feet	@ \$2.50 = \$1,280 per month
1,430 square feet	@ \$2.50 = \$3,575 per month
1,942 square feet	@ \$2.50 = \$4,855 per month

OR 7% of gross retail sales, whichever is greater.

The monthly base rent will increase annually by 3%.

Percentage Rent

The percentage rent rate in each proposal must be no less than 7% of gross revenues. In any month in which the Percentage Rent does not exceed the Base Rent, only the Base Rent would be payable to the Port.

Term

Five years

Form of Lease

The successful Respondent will be required to enter into a lease to be negotiated by the Port and selected Respondent(s). A copy of the Port's standard form retail lease is attached hereto as **Appendix C** (the "Form of Lease") as an example and Respondents should carefully review the terms. However, the final lease may be substantially revised to: a) reflect the business terms negotiated between the successful Respondent and the Port; b) incorporate any City requirements adopted after the drafting of the Form of Lease; and c) incorporate any other provisions desired by the Commission or negotiated by the parties.

Parking

There are public parking lots in the vicinity but there are no employee or customer parking spaces available associated with this opportunity.

Utilities, Maintenance and Repairs

Tenant is responsible for the installation and payment of utilities, water and garbage/janitorial services.

During the term of the Lease, the tenant shall be responsible for all improvements, maintenance, repairs and operating expenses associated with the site, including any non-exclusive areas.

Prohibited Uses

The following are prohibited uses. Port will not accept proposals that contemplate these uses: (i) non-retail uses; (ii) full service restaurant that requires cooking stoves or ventilation; (iii) night club or entertainment venue use or any activity that requires an After Hours Permit from the San Francisco Police Department; (iv) use of the Premises for raves, D. J. parties, or other public dances/events that use live or amplified music; charging a cover charge or requiring a donation to gain entry to the Premises; off-site sale of alcoholic beverages; and/or (v) activities that are managed by an outside promoter.

Possessory Interest and Other Taxes

The tenant will be required to pay possessory interest taxes on the assessed value of the leasehold interest. Respondents may contact the City Assessor's office for more information on how this tax will be calculated. The tenant also will be required to pay other applicable city taxes, including sales and payroll taxes.

Security Deposit

A security deposit will be required in an amount equal to two month's Base Rent in the final year of the term.

Insurance and Bond Requirements

The tenant will be required to maintain, throughout the term of the lease, insurance typical of the approved project (in amounts and with limits determined appropriate by the Port in a form that is acceptable to the Port and its carriers), including, but not limited to, comprehensive general liability, workers' compensation, property insurance on the Premises, automobile liability, personal property, business interruption, builder's risk, host liquor law and food products liability insurance, and any other insurance required by law. The Port and City must be named as additional insured.

If applicable, the tenant's construction contractor will be required to furnish the Port with a performance and payment bond issued by a responsible surety company licensed to do business in California and satisfactory to the Port or other such instrument. Such bond would guarantee installation of any improvements proposed to be constructed at the site and in an amount not less than the value of such improvements.

Assignment/Sublease

The Port will have the right to approve any assignment, sublease or transfer of the Lease, subject to any participation provisions.

City Requirements

Compliance with all City Requirements as stated in the Form Lease is required by all Respondents.

As part of the bid package, all Respondents must submit a written acknowledgment that it has reviewed, understands, and can comply with the City Requirements that can be found in the copy of the draft copy of the form lease. **Appendix D.**

The Port will also require the selected Respondent to pay prevailing wages in the construction of the project in accordance with prevailing wage and labor standards laws.

VI. EVALUATION PROCESS

Port staff will screen all submitted proposals to determine if they are responsive to the RFP and meet minimum qualifications. Responsive packages will then be submitted to the selection review panel for evaluation and scoring.

Each submittal must also include all of the following:

- 1) Proposal
- 2) Lease Application
- 3) Business Plan
- 4) Financial statements (three years tax returns, cashflow statement, profit and loss statement, balance sheet)
- 5) Pro forma for proposed project
- 6) Letter from CBO confirming participation in their program and ongoing technical assistance
- 7) references

After evaluating the written proposals, the top five (5) highest scoring (minimum 50 points or higher) Respondents/proposals (whether they are individual businesses or a part of a collaborative group) will be invited back by the selection review panel for further questions, oral interviews and/or presentations. These interviews will be included in the scores.

The evaluation will include but is not limited to:

- completeness and creativity of the business plan;
- financial strength and history of the Respondent business (tax returns, profit and loss statement, cash flow statement, balance sheet and pro forma, and credit history);
- business plan and pro forma for the proposed use
- prior experience;
- proposed use of the retail site based on Port's desired use and public serving mission;
- working relationship with a San Francisco CBO whose mission is to assist LBEs with starting and growing small businesses and whose mission is dedicated to job creation; and
- references (Port staff and/or members of the selection review panel will contact references).

A sample of the evaluation scoring sheet is attached.

Port staff will review the final selection review panel scores and will determine the most qualified Respondents. Port staff will notify all Respondent(s) via mail and e-mail. Port staff will then recommend the most qualified Respondent(s) to the Port Commission for award of the opportunity.

Port staff reserves the right to accept or reject the selection review panel's recommendations. Port staff may, in its sole discretion, independently investigate the qualifications of certain Respondents and/or conduct additional interviews with certain Respondents. The Port staff reserves the right to revise the evaluation process and to request clarification or additional information from any Respondent(s).

The Port Commission is the sole and final decision-maker regarding the award for this opportunity, and it reserves the right to reject any or all proposals or to terminate lease negotiations at any time. The Port reserves the right to request that some or all Respondents make presentations to Port staff, the Port Commission, community groups, or others. The Port Commission reserves the right to participate directly in the evaluation process.

Request for Proposals

The RFP will be posted on the Port's website at www.sfport.com and can be picked up at the Port offices at Pier 1, The Embarcadero, San Francisco, CA 9411. If you wish to have an RFP mailed to you, you may contact the Port offices at 274-0400.

Interested parties are required to make the submittals described in this Request For Proposals (the "RFP") within the relevant time frames.

A Pre-Submittal Meeting will be held on June 5, 2014 at 10:00 a.m. at the Pier 33½ site, San Francisco, California. Questions from potential tenants may be addressed to Port staff at this conference. Questions may be answered orally at the conference, or in writing afterward. Written responses, if any, will be sent to all potential Respondents who registered at the Pre-submittal Meeting.

VII. APPROVAL OF TRANSACTION

Upon completion of any required environmental review and finalization of lease negotiations by Port staff, the Port Commission can, but is not required to approve a lease(s) and any related documents. If a lease contains a term of ten (10) years or more or would have anticipated revenues to the Port of \$1 million or more, the lease would also require approval by the City of San Francisco Board of Supervisors.

Schedule

The schedule for selection is as follows:

April 24, 2014 – Staff will issue an RFP (see final draft attached)

April 29, 2014 - Port Real Estate will host representatives of the CBOs, other City departments and chambers of commerce to introduce this pilot project and tour the space

June 5, 2014 – A pre-submittal meeting and workshop will be held for potential Respondent businesses at the Pier 33½ site to answer questions and view the facility

August 11, 2014 3:00 pm – **Proposals are due and must be hand delivered no later than 3:00 PM to the Port of San Francisco Offices located at Pier 1, the Embarcadero, San Francisco 94111**

August 13 – September 30, 2014 – Port staff will screen responses and then Panel will review and evaluate the qualified proposals, including oral interviews, and score the proposals

October 6, 2014 – Port staff will contact the most qualified Respondent(s), based on the selection review panel's evaluation and recommendation, will be contacted and announced

October 14, 2014 - Port staff will return to the Port Commission to share the RFP results and staff recommendations; Port Commission will award the opportunity and direct staff to negotiate a lease(s)

October, 2014 - Lease negotiations will begin

December 16, 2014 - Port staff will return to Port Commission to review the proposed lease terms and seek approval thereof.

If the lease is determined to require Board of Supervisor approval, that approval will follow the above process.

Contact for Information

Any questions from potential Respondents regarding this Request for Proposals should be submitted in writing to: Jeff Bauer, Port of San Francisco, Pier 1 The Embarcadero, San Francisco, CA 94111 or Jeff.Bauer@sfport.com. Such written questions will be responded to either orally at the Pre-submittal Meeting or, if received after the Pre-submittal Meeting, in writing with copies to all potential Respondents who register at the Pre-submittal Meeting. Oral inquiries will not be accepted, except at the Pre-submittal Meeting.

Objections to RFP

Should a prospective Respondent object on any ground to any provision or legal requirement set forth in the RFP (including all Appendices and all Addenda), including but not limited to Objections based on allegations that: (i) the RFP is unlawful in whole

or in part; (ii) one or more of the requirements of the RFP is onerous, unfair or unclear; (iii) the structure of the RFP does not provide a correct or optimal process for the solicitation of a tenant; (iv) the RFP contains one or more ambiguity, conflict, discrepancy or other error; or (v) the RFP unnecessarily precludes alternatives to the subject opportunity, the prospective Proposer must provide timely written notice of Objection as set forth below.

- A. An Objection must be received in writing to the Port no later than 5:00 p.m. on the 14th calendar day after the RFP has been issued**
- B. The Objection shall state the basis for the Objection, refer to the specific requirement or portion of the RFP at issue, and shall describe the modification to the RFP sought by the prospective Respondent. The Objection shall also include the name, address, telephone number, and email address of the person representing the prospective Respondent.
- C. The Port, at its discretion, may make a determination regarding an Objection without requesting further documents or information from the prospective Respondent who submitted the Objection. Accordingly, the initial Objection must include all grounds of objection and all supporting documentation or evidence reasonably available to the prospective Respondent at the time the Objection is submitted. If the prospective Respondent later raises new grounds or evidence that were not included in the initial Objection, but which could have been raised at that time, then the Port may not consider such new grounds or new evidence.
- D. Upon receipt of a timely and proper Objection, the Port will review the Objection and conduct an investigation as it deems appropriate. As part of its investigation, the Port may consider information provided by sources other than the prospective Respondent. At the completion of its investigation, the Port will provide a written determination to the prospective Respondent who submitted the Objection. If required, the Port may extend the proposal submittal deadline to allow sufficient time to review and investigate the Objection, and issue Addenda to incorporate any necessary changes to the RFP.
- E. Objections not received within the time and manner specified will not be considered. A Respondent's failure to provide the Port with a written Objection as specified above on or before the time specified above shall constitute a complete and irrevocable waiver of the ground(s) of objection and forfeit the Respondent's right to raise such ground(s) of objection later in the procurement process, in a Government Code Claim, or in other legal proceedings.

A Respondent may not rely on an Objection submitted by another Respondent, but must timely pursue its own Objection.

Protest of Award

Within five (5) working days of the Port's notice of the most qualified Respondents which would be recommended to the Port Commission for award of a lease(s), any Respondent who submitted a responsive proposal that was evaluated during the evaluation process and believes that the Port has unfairly selected another Respondent for award may submit a written notice of protest.

The notice of protest must include a written statement specifying in detail each and every one of the grounds asserted for the protest. The protest must be signed by an individual authorized to represent the Respondent, and must cite the law, rule, local ordinance, procedure or RFP provision on which the protest is based. In addition, the Respondent must specify facts and evidence sufficient for the Port to determine the validity of the protest. All protests must be received by the Port on or before the fifth (5th) working day following the Port's notice. The Respondent submitting the protest must concurrently transmit a copy of the initial protest document and any attached documentation to all other Respondents who may be adversely affected by the outcome of the protest.

The Port will provide protested affected Respondents with five (5) working days from their receipt of the protest to submit a written response to the protest.

The Port, in its discretion, may make a determination regarding a protest without requesting further documents or information from the Respondent who submitted the protest. Accordingly, the initial protest must include all grounds of protest and all supporting documentation or evidence reasonably available to the prospective Respondent at the time the protest is submitted. If the Respondent later raises new grounds or evidence that were not included in the initial protest, but which could have been raised at that time, then the Port may not consider such new grounds or new evidence.

Upon receipt of a timely and proper protest, the Port will review the protest and conduct an investigation as it deems appropriate. As part of its investigation, the Port may consider information provided by sources other than the protesting and protested Respondents. The Port may also consider supplemental correspondence or other information relating to the original ground(s) of protest submitted by a protesting Respondent and/or a protested Respondent to the extent the Port determines that such information will assist it in resolving the protest. At the completion of its investigation, the Port will provide a written determination to the Respondent who submitted the protest, with a copy to the protested Respondent(s).

Protests not received within the time and manner specified will not be considered.

A Respondent may not rely on a protest submitted by another Respondent, but must timely pursue its own protest.

The procedures and time limits set forth in this section are mandatory and are a Respondent's sole and exclusive remedy in protesting a lease award to another

Respondent. Failure to comply with these protest procedures shall constitute a complete and irrevocable waiver of the ground(s) of protest and forfeit the Respondent's right to raise such ground(s) of protest later in the RFP process, in a Government Code Claim, or in other legal proceedings.

Delivery of Objections and Protests

If an objection, protest or response to a protest is mailed, the Respondent or protested Respondent bears the risk of non-delivery within the deadlines specified above. Objections, protests and responses to protests should be transmitted by a means that will objectively establish the date the Port received the objection, protest or response. Objections, protests, notice of protests, and responses to protests made orally (e.g., by telephone) will not be considered. Objections, protests and responses to protests must be delivered to:

Port of San Francisco
Real Estate Division
Pier 1, The Embarcadero
San Francisco, CA 94111
Attn: Jeff Bauer

VIII. SUBMITTAL REQUIREMENTS

A complete response to the RFP is a prerequisite to further consideration. Respondents must deliver complete written submittals by the deadline indicated herein, accompanied by a signed Acknowledgement (**APPENDIX D**) to comply with City Requirements and Other Terms and Conditions of the RFP.

Seven (7) numbered sets of the information requested below shall be submitted to the Port, with the exception of Financial Capacity materials (Item D.4 below), two (2) copies of which are to be submitted to the Port under separate cover. In accordance with the Sunshine Ordinance (Section 67.24(e) of the San Francisco Administrative Code), all responses and other communications from interested parties shall be open to inspection by the public upon request, immediately after approval of award.

Submittal Requirements and Format

Information provided must be submitted with the following format, identifying each item by letter and number. Tab dividers would be appreciated. Failure to provide any of the categories of information requested may result in the Port determining the proposal to be non-responsive.

- A. Evident that Respondent Meets Defined LBE criteria defined in Section IV**
- B. Experience of Respondent's Team**

- B.1 Identify the type of legal entity which would contract with the Port, including any and all joint venture/limited partners and percentage interests and capital/equity committed to the entity.
- B.2 Describe the role and provide resumes describing the relevant experience and qualifications of the key members of Respondent's team and the role of each member.
- B.3 Describe your business model over the past three years and your relationship with and the name of the CBO with which you are working.
- B.4 Letter from CBO stating that Respondent is a client of the CBO. No other information is required from the CBO and no other information will be considered.

C. Experience of Business Operator

- C.1 Identify the qualifications of all persons who will play a significant role in the business operations, including their duties and years of experience. Resumes may be included.
- C.2 Give the name, telephone number and address for at least three (3) business references.
- C.3 Give the name, telephone number and address for at least (3) references who can address each member of the Respondent's experience.

D. Financial Capacity and Business Plan

- D.1 Provide copies of your current business plan.
- D.2 Provide copies of your last three years business tax returns and current financial statements (three years tax returns, cashflow statement, profit and loss statement, balance sheet).
- D.3 Evidence of access to equity capital and financing resources, if needed, to carry out proposed project.
- D.4 Submittals must include two copies of financial information in a separate sealed envelope, marked "Financial Materials - Confidential". Each Respondent must clearly mark any of the financial materials that it in good faith believes to be a trade secret or confidential proprietary information protected from disclosure under applicable law. To the extent permitted by law, the Port will attempt to maintain the confidentiality of marked financial materials, but Respondent(s) are cautioned that, in accordance with the Sunshine Ordinance (Administrative Code Section 67.24(e)), responses and other communications from interested parties must be open to inspection by the public upon request immediately after a selected bid is awarded .

Submittal Deadline

Submittals must be delivered by hand to the Port of San Francisco, Pier 1, San Francisco CA 94111, no later than 3:00 P.M. PST on August 11, 2014.

All responses must be addressed to the attention of Jeff Bauer, and marked "Request for Proposals: Pier 33 ½ Retail Opportunity."

IX. OTHER TERMS AND CONDITIONS

- The Port will convey the Premises to the lessee in an "AS IS" condition. It shall be the sole responsibility of the lessee to investigate and determine conditions of the Premises, including but not limited to existing and planned utility connections, and the suitability of such conditions for the improvements to be constructed by the lessee.
- The information presented in this RFP and in any report or other information provided by the Port is provided solely for the convenience of the interested parties. It is the responsibility of interested parties to assure themselves that the information contained in this RFP or other documents is accurate and complete. The Port or its advisors provide no representations, assurances, or warranties pertaining to the accuracy of such information.
- The issuance of this RFP does not constitute an agreement by the Port that any contract will actually be entered into by the Port Commission. The Port expressly reserves the right at any time to:
 - (a) waive any defect or informality in any response, proposal, or proposal procedure;
 - (b) reject any or all proposals;
 - (c) suspend any and all aspects of the process indicated in this RFP;
 - (d) reissue a Request for Proposals;
 - (e) request some or all Respondents to submit revised or new bids including new bids in collaboration or partnership with other Respondents;
 - (f) select a tenant by any other means;
 - (g) extend deadlines for accepting proposals, or accept amendments to proposals after expiration of deadlines; or
 - (h) determine that no project will be pursued.

- The Port reserves the right to reject any or all proposals submitted and to waive any technical defect in a submittal which does not affect or alter the substantive provisions thereof. Failure by the Port to object to an error, omission, or deviation in any proposal will in no way modify this RFP or excuse Respondent from full compliance with the requirements of this RFP or the Lease.
- In awarding this opportunity and finalizing the lease, the Port may modify, refine, and otherwise clarify the permitted uses to reflect the selected proposal, with such changes therein as may be desired by the Port provided that such changes shall not change the overall substance of the proposal.
- The Port may modify, clarify, and change this RFP by issuing one or more written addenda. Such addenda will be posted on the Port's website and sent by email to those who have picked up an RFP at the reception desk at Pier 1 or signed in at the pre-submittal meeting. The Port will make reasonable efforts to make timely notification of modifications to this RFP to interested parties. Notwithstanding this provision, each Respondent assumes the risk of submitting its proposal on time.
- Recommendation of a selected Respondent as a tenant, or Port Commission authorization to execute a lease with a new tenant should not be construed as an approval of the proposed uses, configuration or design of the retail space. The Port will not enter into any lease for a site which will allow for its development until there has been complete compliance with the California Environmental Quality Act (CEQA). Although all significant environmental effects have already been adequately analyzed under existing environmental documents, actions and activities could be identified through negotiations that would require additional environmental review. If such additional environmental review is required and the project is found to cause significant adverse impacts that have not already been analyzed and/or have not been mitigated, the Port retains absolute discretion to require additional environmental analysis, and to: (1) modify the project to mitigate significant adverse environmental impacts; (2) select feasible alternatives which avoid significant adverse impacts of the proposed project; or (3) reject the project as proposed if the economic and social benefits of the project do not outweigh otherwise unavoidable significant adverse impacts of the project.
- The lessee shall be responsible for obtaining all government approvals required for the development of the site, and the lessee shall pay all permit and processing fees related thereto. Approvals for the project are likely to be required from governmental agencies other than the Port. In issuing this RFP, the Port makes no representations or warranties about which government approvals will be required, or that the necessary governmental approvals can be obtained which will allow the development of the site in accordance with the guidelines set forth above. Respondents should understand that the Port is issuing this RFP in its capacity as a landowner with a proprietary interest in the project and not as a regulatory agency of the City and County of San Francisco ("City") with certain police powers. The Port's status as an agency of the City shall in no way limit the

obligation of the lessee to obtain approvals from City departments, boards or commissions which have jurisdiction over the project.

- The Port will not pay a Finder's or Broker's Fee in connection with this RFP. Respondents will be solely responsible for the payment of all fees to any real estate brokers(s) with whom such party has contracted.
- In accordance with Section 67.24(e) of the San Francisco Administrative Code, contracts, contractor's bids, leases, agreements, responses to RFP's and all other records of communications between the Port and persons or firms seeking contracts will be open to inspection immediately after a contract has been awarded. "Submittals must include one copy of financial information in a separate sealed envelope, designated "Financial Materials". Each Respondent must clearly mark any of the financial materials that it in good faith believes to be a trade secret or confidential proprietary information protected from disclosure under applicable law. To the extent permitted by law, the Port will attempt to maintain the confidentiality of marked financial materials, but potential Respondents are cautioned that, in accordance with the Sunshine Ordinance (Administrative Code Section 67.24(e)), responses and other communications from interested parties must be open to inspection by the public upon request immediately after a contract is awarded, except as limited by this paragraph, the Respondent's proposal will become the property of the Port and may be used by the Port in any way deemed appropriate.
- The Port accepts no financial responsibility for any costs incurred by a Respondent in responding to this RFP.

X. POLICY OF NONDISCRIMINATION ON THE BASIS OF DISABILITY AND EQUAL EMPLOYMENT OPPORTUNITY STATEMENT

The Port of San Francisco does not discriminate on the basis of disability in employment or in the admission and access to its programs or activities.

Wendy Proctor, Port of San Francisco, Pier 1, San Francisco, CA 94111, has been designated to coordinate and carry out the Port's compliance with the nondiscrimination requirements of Title II of the Americans with Disabilities Act (ADA). Information concerning the provisions of the ADA, and the rights provided thereunder, are available from the ADA Coordinator.

SELECTION REVIEW PANEL SCORING SHEET

Name of Respondent Business: _____

Name of Principals: _____

Reviewer: _____

Experience, Qualifications, and Response to Port RFP (90 points)

- A. Completeness and creativity of the business plan, experience;

SCORE 1-25 ()

- B. Financial strength and history of the Respondent business (tax returns, profit and loss statement, cash flow statement, balance sheet and pro forma, and credit history);

SCORE 1-20 ()

- C. Business plan and proposed use of the retail site based on Port's desired use and public service mission;

SCORE 1-20 ()

- D. References (Port staff and/or members of the selection panel will contact references); and

SCORE 1-10 ()

- E. This opportunity provides a chance for this small business to grow and expand which results in increased revenue, expanded product/goods sales and job creation.

SCORE 1-15 ()

Oral Interview (10 points)

- F. SCORE (1-10)



MEMORANDUM

April 18, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MMoyer*
Executive Director

SUBJECT: Request Approval of an Option to Extend the Term for Five (5) Years for Lease No. L-14705, as amended, for a Construction Materials Recycling Center at Seawall Lot 352 at Amador Street, between the Port and Recology San Francisco, Inc. (formerly, Sustainable Crushing Ventures, LLC)

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

EXECUTIVE SUMMARY

At its meeting on March 19, 2009, the Port Commission approved a five year lease with a five year option to Sustainable Crushing Ventures, LLC to operate a Construction Materials Recycling Center at Seawall Lot 352 at Amador Street (as shown on Exhibit A).

Port Staff seeks Port Commission approval to grant the extension of term of lease for five years, pursuant to the terms of the lease with Recology San Francisco, Inc. (Recology) at \$635,104.80, annually.

BACKGROUND

Pursuant to a competitive solicitation authorized by the Port Commission in October 2007, on March 19, 2009, the Port Commission approved Port Resolution 09-21, and the Port and Sustainable Crushing Ventures, LLC, a California Limited Liability Company, entered into Port Lease No. L-14705 for real property located at portions of Seawall Lot 352 (the "Lease") in the Port's Piers 90-94 Backlands ("Backlands") area for a term of five (5) years with one five (5) year option. The Lease consists of two parcels: Parcel A of approximately 6.75 acres and Parcel B of approximately 4.26

THIS PRINT COVERS CALENDAR ITEM NO. 13B

acres, as shown on Exhibit A. Parcel A is used as a recycling center for construction materials. Parcel B is designed as a "buffer area" for stormwater management and landscaping improvements.

Pursuant to Resolution No. 304-09, the Lease was approved by the Board of Supervisors on July 21, 2009, and went into effect on August 1, 2009.

San Francisco Recycling & Disposal, Inc. had formed a single purpose entity, Sustainable Crushing Ventures, LLC, to execute the Lease and operate the business. In 2012, Recology dissolved the single purpose entity with whom the Port entered into the Lease and the Lease was assumed by Recology, which was the 100% owner of Sustainable Crushing Ventures, LLC. Accordingly, as of September 30, 2012, Recology assumed the commitments and responsibilities of Sustainable Crushing Ventures, LLC, including the Lease.

Under the provisions of the Lease, Recology has the option to extend the term of the Lease for a period of five years ("Extension Period") provided that the following conditions are met:

"(1) Tenant must exercise the option by giving Port notice no more than 12 months or less than six (6) months before the Lease Expiration Date (the "Option Notice"); (2) Tenant must be in good standing on the date of the Option Notice and remain in good standing for the remainder of the Initial Lease Term; (3) Port staff must approve Tenant's amended Operations Plan for the Extension Period; and (4) the Port Commission in its sole discretion must resolve to continue leasing portions of Seawall Lot 352 for the Construction Materials Recycling Center."

Port Commission action is required pursuant to item four above. Additional Board of Supervisor action is not required.

Lease Conditions Met

Recology has met the conditions for a five year lease extension as follows:

- (1) Recology provided notice to the Port that it intended to exercise its option in a timely manner on January 24, 2014. The current Lease period expires on July 31, 2014.
- (2) Recology was a tenant in good standing (in accordance with Port Commission's adopted policy) as of the date of its notice and continues to be a tenant in good standing.
- (3) Recology submitted an amended Operations Plan for the Extension Period, which Port Environmental Regulatory staff has reviewed and approved.

The Lease requires Recology to maintain an Operations Plan for their activities at the site. The Operations Plan documents that Recology's procedures are

consistent with law, industry standards, and good housekeeping and provides a detailed description of Tenant's industrial activities and equipment, facility housekeeping, air quality and dust control, stormwater pollution prevention measures, hazardous materials and waste management, and other best management practices.

Recology will comply with provisions of the California Statewide General Permit for Discharges of Stormwater Associated with Industrial Activity ("General Permit"), including a requirement to develop a Stormwater Pollution Prevention Plan ("SWPPP") for the Site. Port staff and Recology have worked on updating the SWPPP for the crushing operation that includes natural-based stormwater management measures such as vegetated swales.

- (4) In order for the extension option to be effective, the Port Commission must agree to continue leasing SWL 352 to Recology for use as a construction materials recycling center. The Port does not require immediate use of the Backlands site. But, as discussed, below, the Port will be taking steps to promote a higher use for the property long term.

Staff recommends that the Port Commission grant the extension option to Recology for the following reasons:

Recology Southern Waterfront Improvements

The 2007 bid process for a tenant to take over the site was necessitated by the prior operator's bankruptcy. The previous operator also left approximately 120,000 tons of construction debris on the site. In accordance with the terms of the Lease, Recology crushed the mixed asphalt, concrete, and brick material into a useful product. Recology took over a property that had been a blighting influence on the southern waterfront community during the previous four years prior to establishing the current recycling operation. As a result of Recology's operations, the appearance of the property has improved, and order has been restored at the site. In addition, Recology has spent approximately \$450,000 on site beautification (as more fully described below) and storm water improvements.

Recology's Recycling Track Record

Recology is an employee-owned company. The company provides waste and recycling collection services and recycling services throughout the city. In addition to operating the construction material recycling center at Seawall Lot 352, Recology has been a Port tenant at Pier 96 since 1998. Recology has excellent experience in this type of recycling and the company has an excellent overall track record of recycling, as demonstrated by the fact that San Francisco has one of the highest landfill diversion rates of any major U.S. city. Finally, this operation facilitates compliance with the City's Construction and Demolition Debris Recovery Ordinance No.27-06.

Recology's operations provide significant local trucking opportunities as many of the truck trips emanating from the site are made by local trucking operators. Moreover, much of the processed material is delivered to construction sites within San Francisco.

The Backlands – Un-engineered, Unpaved Property without Utility Infrastructure

Seawall Lot 352 is a former landfill site that is unpaved. Port staff are planning for more robust use of the site, including support for expanded maritime cargoes. To that end, Port maritime staff are in discussions with several potential new customers that would require some or all of the Backlands to support their cargo operations. However, in the meantime, there is little short-term demand for this site and leasing the property in its unimproved state to a new tenant may be challenging. Likewise, installing a new tenant, during this period when Port maritime staff are in discussions with other potential maritime tenants, could be disruptive. Port staff believe that more intensive use of the property would require substantial improvements, including site paving, utilities, lighting, and fencing. Port staff will soon undertake environmental review of the site to facilitate the Port's long term investment and enhance its use in supporting maritime operations.

At the time that the Port entered into the Lease, staff recognized that this would be an interim, low margin operation given the history of the site and the nature of construction recycling. Recology has persevered, and the company expects to continue to operate over the next five years, provided that the extension option is granted.

In the event that the Port Commission decides not to grant the extension, Recology has indicated to the Port that it will wind down the operation, surrender the leasehold and the property will be left vacant until the Port completes its planning and entitlement activities.

Rent

The current base rent is approximately \$0.169 per square foot per month (PsfM). The Lease also includes a percentage rent component, but Recology's gross income has never exceeded the minimum threshold that would trigger such payments.

The Lease provides that, for the Extension Period, the Port may elect to escalate base rent for the premises for the first Lease Year of the Extension Period to either: (i) the Port's determination of Prevailing Market Rate, subject to negotiation with the Tenant, and finally subject to a baseball arbitration process if the parties cannot agree¹; or (ii) base rent in effect for the fifth Lease Year plus 3 percent. If the

¹ Under the Lease arbitration provisions, each party selects a qualified real estate broker to make independent determinations of prevailing market rate. If these determinations are more than 10% apart, the two brokers jointly select a third broker to choose between the competing determinations of prevailing market rate.

arbitration process is utilized, either party may terminate the Lease if that party disagrees with the outcome of the arbitration process. Additionally, if the Port opts to use the prevailing market rate, the percentage rent requirements of the Lease would terminate.

Rather than triggering these provisions of the Lease, staff and Recology have negotiated a stepped increase to rents for the extension period that reflects the unimproved nature of the site, the significant size of the premises and the marginal financial performance of the operation. This stepped increase will allow a two year period for Recology to absorb smaller increases in monthly rents, after which the Port may elect to increase the base rent by utilizing the Prevailing Market Rate procedures described above or by increasing rents 3% annually through the Extension Period.

Under the proposed agreement, Recology will pay a new base rent of \$0.18 per square foot per month for the first year of the Extension Period and \$0.19 per square foot per month in the second year. The new rental rate in the first year represents a 6.6% increase over the existing rental rate, with a 5.5% increase in the second year. The total monthly rent in the first year would be \$52,925.40 (\$635,104.80, annually).

As stated above, the proposed agreement allows Port staff to exercise the same process to establish a Prevailing Market Rate in the third year, as the Lease currently contemplates for the beginning of the Extension Period. Recology has accepted this proposal for the Extension Period, subject to Port Commission approval.

Since the Prevailing Market Rate in 2016 is unknown, the table below projects \$0.01 PsfM increases in rents for each of the final three years:

Comparison of Current Rents, Parameter Rent, and Proposed Rent				
Date of Annual Rent Increase	Current Rent + 3%	Parameter Rent ²	Proposed Rent	Annual Rent
8/1/2014	\$0.179	\$0.300	\$0.18	\$635,104.80
8/1/2015	\$0.186	\$0.309	\$0.19	\$670,388.40
Note: Rent after 2016 is subject to Prevailing Market Rate reset or 3% annual increases			Projected Rent³	
8/1/2016	\$0.190	\$0.318	\$0.20	\$705,672.00
8/1/2017	\$0.196	\$0.328	\$0.21	\$740,955.60
8/1/2018	\$0.202	\$0.338	\$0.22	\$776,239.60

² The lack of short-term market demand for the un-engineered, unimproved Backlands suggests that Port staff closely examine the range for Parameter rents for unimproved land without utilities in its upcoming annual parameter rent analysis.

³ Projected Rent in Table 1 assumes a 1 cent PsfM (or approximately 5% annual) rent increase, similar to the rent negotiated by staff for the coming two years.

As noted earlier, the Lease also includes a percentage rent component. The percentage rent structure allows the Port to realize upside potential income, while protecting Recology from an unsustainable rent obligation during slow construction periods. However, Recology's gross income has never exceeded the minimum threshold that would trigger such payments during the first five years of the Lease. The Gross Receipts Threshold was calculated as the amount of annual revenue above which the Construction Materials Recycling Center becomes profitable. The percentage rent formula, effective August 2014, is as follows:

For gross receipts above the Gross Receipts Threshold of \$2,550,402.96 adjusted annually by 3%, Tenant will pay Port the following:

Percentage Rent Schedule

<u>Gross Receipts Threshold:</u>	<u>Percentage Rent Payable above Thresholds:</u>
\$0-\$350,000	15%
\$350,001-\$700,000	20%
\$700,001-\$1,050,000	25%
\$1,050,001-\$1,400,000	30%
Above \$1,400,000	35%

SOUTHERN WATERFRONT COMMUNITY BENEFITS AND BEAUTIFICATION POLICY

The Southern Waterfront Beautification Policy allows: "Each new, amended or extended lease, license, permit, operating agreement or memorandum of understanding for activities within the Southern Waterfront (collectively, "Leases") shall be subject to consistency with this Policy unless waived by specific action of the Port Commission." With that in mind, the original Lease called out the following improvements to meet the goal of the Beautification aspect of the Policy:

"Tenant will make \$450,000 in stormwater management, landscaping site improvements, and other Port-approved expenditures according to annual budget and construction schedules over the Initial Lease Term and construct a New Driveway when the Port is ready to lease the remainder of the Backlands or make improvements to the Backlands in anticipation of such leasing ("Required Improvements")."

In compliance with the requirements of the Lease, Recology completed \$450,000 in site-wide improvements to improve the environmental condition and appearance of the site during the initial term. These improvements included removal of invasive plant species, and debris from the landscape buffer area, site grading to improve the appearance and site drainage, amending the site soils to create a healthy planting medium for the landscaping, installation of plant materials that provide habitat for wildlife, provide seasonal color for visual interest and provide a windscreen, which helps reduce the wind impact on the site. Additionally, Recology included landscape sculptures around the perimeter of the site, which combined with the new landscaping, significantly improves the overall appearance.

Also, consistent with the Southern Waterfront Community Benefits and Beautification Policy, Recology retained the services of Bayview contractors to complete many of the projects including retention of Bay Natives Nursery to design the landscape improvements, the purchase of plant material from both Bay Natives and Literacy for Environmental Justice's Yosemite Slough plant propagation nursery and the use of the California Conservation Corps (whose workforce includes many youth and young adults from the Bayview community) to install the landscaping.

Under the Lease Extension, the Southern Waterfront Beautification fund will capture revenue from the Lease, equal to \$70,000 per year.

CEQA

The San Francisco Planning Department's Environmental Division has issued to the Port a Certificate of Exemption from Environmental Review for all Port leasing activity that continues the existing land use with no substantial physical changes to the site or substantial intensification. This exemption is provided through the State CEQA Guidelines Section 15601 (b) (3) General Rule Exclusion, which exempts activities that can be seen with certainty to have no possibility for causing a significant effect on the environment.

Recology's lease site area has been operated as a construction debris recycling center for more than 14 years, but under different operators. Recology's lease continuance does not involve any changes in operation or use intensification.

RECOMMENDATION

Port staff recommends that the Port Commission approve the extension option to Lease Number L-14705 with Recology San Francisco, Inc. under the terms described above. If approved by the Port Commission, the Lease extension option commencement date will be August 1, 2014, the expiration date will be July 31, 2019 and the base rent will be as described above.

Prepared by: Ruben Solis, Property Manager
Real Estate Division

For: Susan Reynolds, Deputy Director
Real Estate Division

Attachments:

Exhibit A: Site Plan for Lease L-14705

Exhibit B: Unleased Area of Backlands

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-25

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, regulate and control the lands within Port jurisdiction; and
- WHEREAS, on July 27, 2009, Port and Sustainable Crushing Ventures, LLC (now Recology San Francisco, Inc.) ("Recology") entered into Lease No. L-14705 for an initial lease term of five (5) years commencing on August 1, 2009, with one extension option for five (5) additional years to operate a Construction Materials Recycling Center at Seawall Lot 352 at Amador Street ("Lease"); and
- WHEREAS, the Port wishes to grant the option to extend the term of the Lease for five years from August 1, 2014 through July 31, 2019, pursuant to the terms of the Lease ("Extension Option"); and
- WHEREAS, Recology is a Tenant in Good Standing under Port Commission policy and all Lease conditions for the extension option have been met; and
- WHEREAS, the permitted uses in the Lease are a continuation of existing and related uses and are therefore covered under a General Rule Exclusion pursuant to the California Environmental Quality Act; now therefore be it
- RESOLVED, That the Port Commission hereby approves the Extension Option for Lease Number L-14705 with Recology San Francisco, Inc. and authorizes the Executive Director to take such actions (including the execution of agreements) as she deems necessary and advisable, in consultation with the City Attorney, to effectuate the Extension Option and the purpose and intent of this Resolution, as conclusively evidenced by the Executive Director's actions.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of April 22, 2014.

Secretary

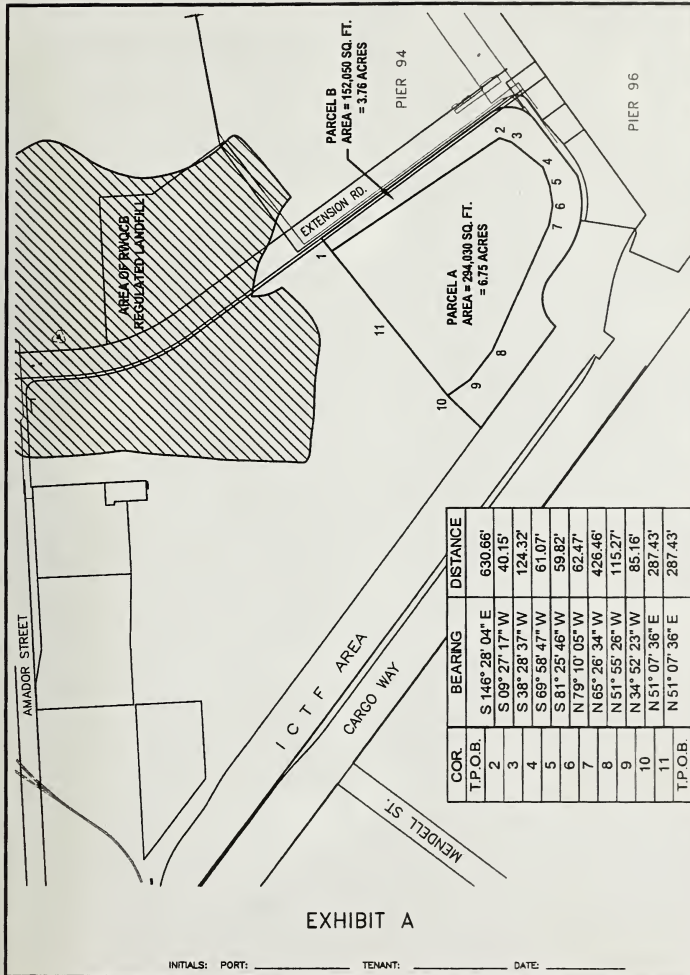


EXHIBIT A

INITIALS: PORT: _____ TENANT: _____ DATE: _____

LEASE NO.

L-14705

SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

TENANT

Recology San Francisco

DRAWN BY: AMI

CHECKED BY: S. TOLIS

DATE: 11/10/07

SCALE: 1" = 300'

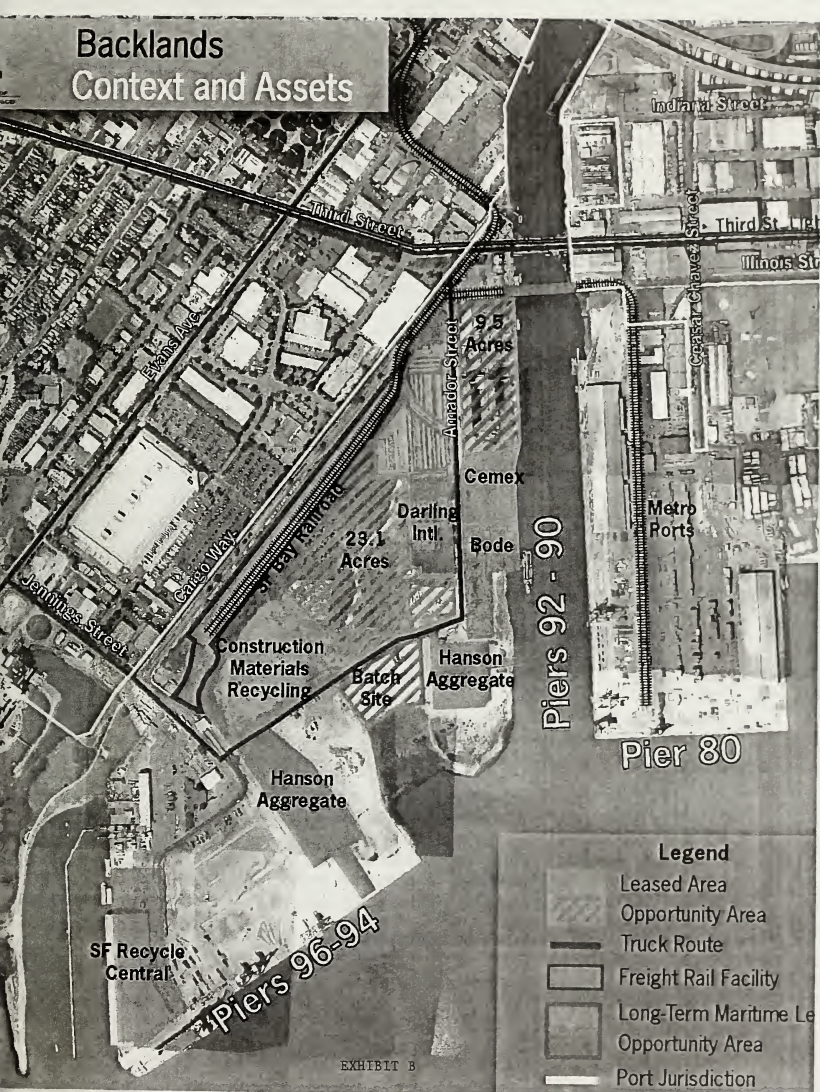
PLATE CODE NO. 3520-00

SHEET NO. 3

OF 4 SHEETS

C:\08 PROPERTY FILES\Lease Maps\CD08BTS-SM\SM_302_Recology_San_Francisco_Lease Map

Backlands Context and Assets





MEMORANDUM

April 18, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer
Executive Director *M Moyer*

SUBJECT: Informational Presentation on the Orton Development, Inc. proposed project for the lease and rehabilitation of the six 20th Street Historic Buildings on or near 20th and Illinois Streets at Pier 70

DIRECTOR'S RECOMMENDATION: Informational Only – No Action Required

EXECUTIVE SUMMARY

This memorandum describes the status of the proposed development agreement with Orton Development Inc. ("Orton") to lease, rehabilitate and operate six historic buildings (the "Project") included in the Pier 70 Master Plan area and shown as the Historic Core on Exhibit A. The Project will return these cherished historic buildings to vibrancy. On October 9, 2012, the Port Commission endorsed the Term Sheet establishing the conceptual agreement by the parties of the terms of a transaction to realize the Project¹. Subsequently on December 4, 2012, the Board of Supervisors also endorsed the term sheet and conceptual Project plans.

The Project includes an aggregate of 267,000 square feet spread throughout 6 existing buildings. The proposed Project will add up to approximately 70,000 square feet of new space, primarily in the build out of new mezzanines. Once rehabilitated, these historic office and industrial buildings will be used for a range of businesses including light industrial, technology, life science, office, artisan/artist studios and showrooms, and

THIS PRINT COVERS CALENDAR ITEM NO. 14A

¹ Background on Term Sheet as well as the land use planning, competitive solicitation, and ENA authorization prior to the Term Sheet with Orton, as discussed in Item 9C on the October 9, 2012 agenda: <http://www.sfport.com/index.aspx?page=2132>

restaurant uses. The proposed Project will also create an indoor lobby/atrium in Building 113, and an outdoor plaza/venue, both of which would be made accessible to the public.

The Project's many public benefits include the re-use of the Sieteto support rehabilitation of Pier 70's unique and important historic resources. This has been a fundamental goal around which the Port has been able to build community consensus for the land use changes and development necessary to finance historic rehabilitation, public open space, infrastructure and other amenities. Orton has committed to rehabilitate the 20th Street Historic Buildings in accordance with the Secretary of the Interior's Standards for the Treatment of Historic Properties and adaptively reuse the buildings for office and light industrial uses. Additionally, Orton will provide some access into and around these buildings for the public to experience the historic district.

Today's presentation will brief the Port Commission on the current status of the Project including an updated schedule to achieve full project entitlement, project financing, building permit issuance and construction commencement.

BACKGROUND

Pier 70 History

Pier 70 was a 19th century ship building and repair facility, and is previously known as the Union Iron Works ("UIW"), the Bethlehem Steel Shipyard, and the San Francisco Yard. Ships built at Pier 70 served the United States military from the Spanish-American War in the late-1800s through the two World Wars and into the 1970s. Previous uses include: Main Office/Administration Building, Power House, UIW Headquarters, UIW Machine Shop, foundry, new foundry and mold room, and warehouse. In the 1980s, Bethlehem Steel sold the shipyard to the Port of San Francisco for one dollar. Since 2004, the Project site has been largely vacant with minor interim uses.

Pier 70 Planning

In April 2010, the Port published its Preferred Master Plan ("Master Plan") for the approximately 65-acre Pier 70 area after an extensive community planning and technical feasibility analysis effort. The Pier 70 Master Plan provides a vision balancing sustained ship repair, historic preservation, new waterfront parks, and new development. On May 11, 2010, the Port Commission authorized two efforts to attract development partners for Pier 70 (Resolution 10-27).²

As described in more detail below, Orton's Project adheres to the Master Plan vision by rehabilitating six historic structures, preserving the important industrial and maritime contributions of this site and honoring the skilled labor that helped build a city and nation. The Project will support 650 construction jobs and 400 to 600 permanent, on-site jobs while creating new public access showcasing the Port's rich maritime history in a renovated and rejuvenated industrial environment.

Historic District and Plan Implementation

² Item 10B on this agenda: <http://www.sfport.com/index.aspx?page=1412>

The Port's effort to create a historic district at Pier 70 is in part intended to assist its development partners, including Orton, by availing access to the Federal Rehabilitation Tax Credit Program to provide an important financing tool for rehabilitation of Pier 70's historic buildings. This builds on the Port's successes in the northern waterfront with the creation of the Embarcadero Historic District and rehabilitation of a number of historic pier facilities, including the Ferry Building, Pier 1, Piers 1½, 3 & 5 and the Exploratorium at Pier 15.

Developer Solicitation Process

In this context, on October 4, 2011, the Port issued a RFP for the 20th Street Historic Buildings to ten pre-selected parties. Four parties responded to the RFP as presented to the Port Commission on January 20, 2012³. On February 28, 2012, the Port Commission awarded the opportunity to Orton⁴ and directed staff to negotiate an Exclusive Negotiating Agreement ("ENA") for the Project. On April 24, 2012, the Port Commission approved the ENA terms⁵.

These buildings are in poor condition at the present with two red-tagged and none currently leased. Given the conditions of these buildings the RFP did not set a minimum rent or any other minimum financial requirements. In fact, it acknowledged the urgency and import of saving these buildings and that public funding sources could be required for this effort.

On July 10, 2012, Orton presented its project concept to the Port Commission⁶ and received supportive feedback on its approach to this site. The uses proposed – light industrial, education, recreation, office, and commercial – are, with the addition of potential education and recreation components, the same as the proposal that the Port Commission considered when selecting Orton.

PROJECT DESCRIPTION

The purpose of this Project is to rehabilitate the 20th street Historic Buildings and make them once again a vibrant, integral part of the surrounding community. Orton will return the buildings to profitable use while maintaining their historic fabric. The proposed work includes repair and maintenance, seismic and structural upgrades, security measures to combat an atmosphere of neglect and criminal opportunity, and abatement of hazardous environmental conditions.

The Project site is located along northern and southern portions of 20th Street between Illinois Street in San Francisco's Central Waterfront. The Project site spans several parcels and currently contains eight buildings and four small associated structures. These twelve buildings on the Project site range in size from approximately 535 square feet to 93,330 sq. ft.

3 Item 9B on this agenda: <http://www.sfport.com/index.aspx?page=1983>

4 Item 10 C on this agenda: <http://www.sfport.com/index.aspx?page=2003>

5 Item 9B on this agenda: <http://www.sfport.com/index.aspx?page=2063>

6 Item 9B on this agenda: <http://www.sfport.com/index.aspx?page=2088>

The previous uses, current uses and occupancy of the 6 buildings included in the Orton Project vary. The current uses and building sizes include the following, but generally include approximately 267,000 gross square feet (GSF) of vacant PDR space.

Table 1 - North of 20th Street

Location	Year Built	Existing Use	Existing Sq. Ft.	Proposed Use	Proposed Sq. Ft.
Building 101- Bethlehem Steel Office Building	1917	Vacant- formerly office use and one residential unit	475 (residential) and 56,925 (office) = 57,400 sq. ft. total	New residential unit New office use	58,300 sq. ft. total
Building 102 – Power House	1912	PDR ¹	11,265 sq. ft.	New restaurant or New other commercial	16,405 sq. ft.
Building 104 – UIW Headquarters	1896	Vacant- formerly PDR use	43,000 sq. ft.	New medical and office	44,590 sq. ft.
TOTAL			111,665 sq. ft.		119,295 sq. ft.

South of 20th Street

Location	Year Built	Existing Use	Existing Sq. Ft.	Proposed Use	Proposed Sq. Ft.
Building 14	1941	Storage – formerly warehouse	16,315 sq. ft.	PDR/"New American Workplace" ²	22,780 sq. ft.
Building 113/114- Union Iron Works Machine Shop	1885/ 1886	Vacant, formerly PDR use	93,300 sq. ft.	PDR/"New American Workplace"	126,580 sq. ft.
Building 115/116	1916/ 1917	Storage – formerly warehouse	37,550 sq. ft.	PDR/"New American Workplace"	48,815 sq. ft.
Plaza	N/A	Courtyard	45,000 sq. ft.	Publically accessible open space, loading	45,000 sq. ft.
TOTAL			192,165 sq. ft.		243,175 sq. ft.

Notes:

1. PDR(*Production, Distribution and Repair*): Refers to a very wide variety of activities which have traditionally occurred in industrially zoned areas.
2. PDR/"New American Workplace": Expands on PDR to include additional

industrial uses such as food, technology, life science, biotech, education and arts production centers, similar to the high quality "maker" type businesses currently existing in the adjacent Dogpatch neighborhood, with ancillary office, showroom, and retail. Such flexible hybrid-use space consolidates all business activities (design, prototyping, manufacturing, wholesaling, office, and sales/retail) under one roof.

In general, the proposed Project will rehabilitate the 20th Street Historic Buildings to satisfy seismic, structural, and code requirements, implement security measures to combat an atmosphere of neglect and criminal opportunity, and abate hazardous environmental conditions. The Project will meet the Secretary of the Interior Standards for Treatment of Historic Buildings (the "Secretary's Standards"), building and other codes, and all other applicable requirements. The proposed Project could add up to approximately 70,000 GSF of new space, primarily in interior mezzanines for a total of 318,780 GSF onsite.

Once rehabilitated, these historic office and industrial buildings will be subleased to a range of businesses, including light industrial, technology, life science, office, artisan/artist studios and showrooms, and restaurant uses (see table 2 below). Orton has aggressively marketed the Project to a diverse group of prospective tenants. In addition, Orton has had continued discussions with manufacturers including members of SF Made, with a goal of incorporating variously sized, local manufacturing uses on portions of the site.

The proposed Project will also create an indoor lobby/atrium in Building 113, and an outdoor plaza/venue ("Plaza"), both of which will be made accessible to the public. Finally, the proposed Project will demolish approximately 1,500 GSF of existing structures, including two small structures known as Buildings 23 and 24 appended to the eastern side of Building 113.

Table 2 – Building Rehabilitation Plans

Building 113/114

The Union Iron Works Machine Shop consists of two masonry buildings built from 1885-1888, later joined by a concrete connector in 1914. The brick sections of Building 113 will be split into two wings and be used as light industrial/flex space with ancillary office, showroom, and retail uses, while the historic foundry (Building 114) will remain a separate space for light manufacturing with ancillary office and retail. The center connector building will become a publically accessible lobby and walkway to an exterior Plaza.



Buildings 115/116

The Union Iron Works Foundry & Warehouse was constructed in 1916/1917 and comprises a three-bay reinforced concrete structure. The spaces will return to industrial use as light manufacturing with ancillary retail and office.

**Building 101**

Building 101, the 61,311 square foot former Bethlehem Steel Office building, will return to office use on the top four floors. The historic commissary on the park level floor is expected to return to industrial food production use or ancillary office uses.

**Building 102**

Building 102, the 11,266 square foot former Compressor House, currently houses BAE Ship Repair's electrical distribution.

The Port has the responsibility to remove the electrical facilities, following that Orton will redevelop the building as a restaurant.

**Building 104**

The 45,237 square foot former Union Ironworks office building was built in 1896 and will return to single tenant office or medical office use.

**Building 14**

Building 14 is a 16,315 square foot double-gable metal warehouse constructed in 1944. The space will return to industrial use as a warehouse with ancillary office space.

**CEQA**

The Eastern Neighborhoods Final Environmental Impact Report ("FEIR") incorporated and adequately addressed all potential impacts of the proposed Project. The Project will not have any additional or peculiar significant adverse effects that were not examined in the Eastern Neighborhoods FEIR, nor has any new or additional information come to light that will alter the conclusions of the FEIR. Thus, the proposed Project will not have any new effects on the environment that were not previously identified, nor will any environmental impacts be substantially greater than described in the FEIR. No mitigation measures previously found infeasible have been determined to be feasible, nor have any new mitigation measures or alternatives been identified but rejected by Orton. Therefore the Project is exempt from environmental review.

While exempt from environmental review as described above, the Planning Commission has determined the Project qualifies for consideration of a Community Plan Exemption ("CPE") based on the applicable General Plan and zoning requirements and that all potentially significant individual or cumulative impacts of the Project were identified in the applicable programmatic Environmental Impact Report ("PEIR") for the Plan Area, and all applicable mitigation measures have been incorporated into the proposed Project or will be required in approval of the Project.

The CPE identifies certain mitigation and improvement measures to avoid potential significant negative effects. Currently the CPE is under review by San Francisco Planning Department environmental planning staff.

PUBLIC TRUST ANALYSIS

In 2011, California's Legislature passed Assembly Bill 418, introduced by Assemblymember Tom Ammiano and signed into law by Governor Brown. This bill authorized several changes at Pier 70 including allowing non-trust uses of historic buildings if necessary to finance rehabilitation of the buildings consistent with the Secretary Standards. This authorization was subject to findings from the State Lands Commission Executive Office and the Port that the reuse and rehabilitation included ample public access to these buildings and a finding that rehabilitation of the building is not economically feasible solely based on trust uses.

All the historic buildings related to the Project are used for Port storage needs or are vacant, shuttered and not suitable for occupancy in their current state. Some of the historic buildings are in such disrepair that immediate seismic and structural reinforcement are needed. The Port sought a third party analysis regarding the feasibility of reuse based solely on trust uses. This analysis found that a reuse program reliant upon trust uses is not economically viable. These historic buildings are not built for nor are conducive to current maritime or public trust uses. Almost all maritime industrial uses in San Francisco Bay require close access to the waterfront (such as a berthing facility to load/unload materials/ equipment). There is limited demand for maritime tenants and those tenants have limited needs for industrial shed/warehouse facilities. Historic buildings at Pier 70, particularly the Union Ironworks buildings, are much larger than will be needed by most maritime tenants.

Port staff has sought feedback regarding the proposed public access from State Lands staff. Based on their initial review of the Access Map, State Lands staff is comfortable with the level of public access allowing the public to experience the interior and exterior of the historic Buildings on 20th Street in conjunction with the Plaza including public access connecting Louisiana Street to the Plaza. State Lands staff indicated they will support this public access plan with requirements to:

- Include interpretive signage that help educate the public about the historic buildings and their contribution to the maritime history of Pier 70
- Include signage that alerts the public to the interior public access
- Expand the interior public access space, if feasible

- Additional lobbies built in the office buildings (Buildings 101 and 104), if any, should include glass walls or large windows to help expand access to views of the interior of the historic structures, based on tenancing and feasibility

Based on the third party analysis and feedback from State Lands staff, the Port Commission for approval of this Project in May 2014 will include findings that the rehabilitation of the buildings consistent with the Secretary Standards is not feasible with only trust uses and that the Project includes ample public access to these buildings.

SUMMARY OF FINANCIAL/BUSINESS TERMS

The financial terms of the lease and LDDA obligates Orton to rehabilitate and operate the Project buildings, including securing needed investment, in exchange for a 66-year lease and a \$1.75 million capital contribution from the Port. Revenues from the Project will first fund operating costs, then debt service and, until Orton's equity is recovered, Orton will receive a 14% return (on a simple interest basis) on its investment. Orton and the Port will share equally in net cash flow after Orton's equity is repaid. An annual guaranteed base rent of \$200,000 (escalated to reflect inflation) is due 20 years after commencement of the lease. Although this structure does not generate significant rent to the Port immediately, it achieves the Port's long-envisioned goal of rehabilitating these buildings as soon as possible and provision of new workplaces for up to 600 jobs. Orton will rehabilitate these buildings, including securing needed investment, in exchange for a 66 year lease.

The Port Commission endorsed the Term Sheet with Orton in October 2012. A summary of key financial terms that remain primarily unchanged include:

- Orton will rehabilitate the buildings to meet the Secretary's Standards. Given the age and dilapidation of the structures, this involves extensive repair and replacement of building systems, structural upgrades, and life safety improvements. Orton is also providing public access in the Plaza and atrium.
- The Port will redeploy the \$1.5 million of capital funding budgeted in FY2011/12 for interim shoring of the Union Ironworks Machine Shop as a contribution to the full seismic retrofit for this structure. (A grant secured in 2013 increases the Port's contribution to \$1.75 million.)
- Orton will invest up to \$14 million of equity in the Project and secure Project debt and tax credit investors for the remaining funds.
- Net revenue from the Project after debt service will first pay Orton a 14% return (on a simple interest basis), then repay Orton's investment, and finally be split equally with the Port ("Participation Rent").
- Port will participate in equal participation through equal sharing of any refinancing proceeds and in 10% participation in the net proceeds from a sale or assignment of the lease.
- Port will receive a guaranteed annual minimum rent in Year 20 of \$200,000 escalated from 2012\$, even if Orton has not yet recovered its equity investment.

- Parking for the Project will be provided as part of an area parking strategy on sites to be determined and the Port, not Orton, will receive parking income from off-premises parking.
- The Port is responsible for the costs of relocating the electrical systems now in Building 102 that serve the shipyard. Such costs are estimated at between \$3 and \$5 million depending on the relocation site and other engineering variables. The Port is researching options for financing this work.

In the 18 months since endorsement of the Term sheet, staff and Orton have continued to negotiate transaction terms. A summary of financial terms that reflect new concepts developed or fill in areas unaddressed by the Term Sheet include:

- In February 2013, the ENA was amended to be consistent with the participating rent structure agreed to in the Term Sheet. With the amendment, reimbursement to the Port for its transaction costs in excess of \$80,000 is deferred until Project revenues can support repayment on par with payments to Orton, which obligations are further refined in the Lease. Deferring Orton's reimbursement obligation reduces the Project front-end costs and lowers the required equity investment that would accrue at a 14% return.
- As a protection from unknown Project elements that could not have been discovered through reasonable due diligence, provisions have been included to remove buildings from the Project and/or defer the minimum rent if unforeseen conditions are discovered. Unforeseen conditions must meet a threshold of \$1 million and occur prior to close of escrow.
- Port is responsible for upgrades of adjacent streets and sidewalks ("Public Realm") to accommodate the Project. Port will use infrastructure financing district for this Public Realm work. Orton can undertake Port Public Realm construction efforts, as a mutual option, and be repaid first from a credit against deferred transaction costs and second over time from the Port's Participation Rent.
- Additional costs for tenant build-outs over and above "cold shell" will be funded: 1) through a side agreement between Orton and subtenant (thus reducing the rent subject to the lease), or 2) amortized over the sublease term at Orton's cost of funds [still under negotiation].
- If the Port Participation Rent exceeds the amounts forecast in the proforma dated March 17, 2014 then lease, Orton receives an incentive payment of 10% of the excess above these projections. This bonus only applies after Orton's equity is repaid and only lasts for first 20 years of the lease.

PROJECTED SOURCES AND USE OF FUNDS

Based on further investigation and engineering analysis, Orton has refined the Project cost estimates and anticipates total Project cost of \$74 million (an increase from the prior \$58 million estimate). Hard construction costs have increased due to three factors:

- 1) addition of \$1.8 M of costs for the Plaza and sitework,
- 2) additional building repair complexity after further due diligence and analysis, and

3) rising construction costs in the market.

Even with the increased costs, Orton anticipates that the combination of strong revenues and pre-leasing of a significant portion of the Project will allow them to secure favorable debt terms, allowing the Project to remain feasible despite the higher costs.

Table 3 below shows the sources and uses of funds for the Orton Project. Notable additions consist of (i) participation in the City's Seismic Safety Loan Program, discussed below as a source, and (ii) the greater Port contribution of \$1.75 million, reflecting State grant proceeds of \$250,000. At this time, Orton is arranging its bank and other financing so the table combines debt and equity until debt terms are refined.

Table 3 - Sources and Uses

Sources	\$ Millions
Port Capital Funds	1.8
Seismic Safety Loan	20.2
Historic Tax Credit Equity	14.9
Private Debt & Equity	37.8
Total Sources	\$74.7
Uses	
<u>Hard Costs</u>	
Building 101	10.3
Building 102	2.5
Building 104	7.7
Building 113	20.0
Building 114	4.2
Building 115	2.4
Building 116	4.7
Building 14	2.3
Site/Plaza	1.9
Total Hard Costs	56.0
Soft Costs	11.5
Financing Costs	6.2
Deferred Port Transaction Costs	0.8
Total Uses	\$74.5

Notes:

Source Orton cost estimate and pro-forma. Values continually being refined.

Port funds include a State Grant of \$250,000

Construction costs do not include tenant specific improvements.

Seismic Safety Loan Program

In recognition of the economic benefits of lower cost financing, Orton is applying for a loan from the City's Unreinforced Masonry Building (URM) Seismic Safety Loan Program (SSLP), which is administered through the Mayor's Office of Housing and Community Development (MOHCD).

The interest rate on the Seismic Loan, currently assumed at 7.5% for pro forma purposes, is much lower than the 14% return on Orton equity specified in the Term Sheet. Use of the Seismic Loan proceeds will be used to fund the majority of the seismic upgrade costs for Buildings 113/114 and 104, the former Union Ironworks Machine Shop and office building respectively. Those costs are currently estimated at \$26 million.

The SSLP was established through a 1992 voter approved general obligation ("G.O.") bond measure to provide loans to private owners of unreinforced masonry buildings. To provide funds for borrowers, the City issues G.O. bonds. The loan is to be used for seismic strengthening costs plus a 25% allowance for disabled access/life safety improvements. Eligible soft costs include legal, title/escrow, permit fees, architecture/engineering, and environmental site investigations. Seismic Loans for non-residential buildings, including these Pier 70 buildings, fall under the program's Market Rate Loan program. The following are some of the key criteria for Market Rate Loan underwriting:

Table 4. Seismic Loan Market Rate Term Summary

Loan Term	20 years fully amortizing
Interest Rate	City's cost of funds + 1%
Loan to Value	90% to 95% LTV
Debt Service Coverage Ratio	1.05x to 1.10x

Orton is requesting authorization for a total Seismic Loan up to approximately \$26 million which is the maximum based on eligible development costs. However, Orton's pro forma currently assumes a Seismic Loan amount of approximately \$20 million based on the loan to value and debt service coverage requirements of the program. The Seismic Loan committee typically provides a conditional loan commitment subject to the borrower satisfying key Project milestones such as submitting the final appraisal, securing building permits for the construction work, having firm commitments from all sources of Project financing and obtaining signed leases from major building tenants. Final approval of the loan and the actual amount of the loan will therefore be determined subsequent to the loan committee's initial, conditional approval at such time as Orton has satisfied the loan conditions and construction is ready to begin. This is expected to occur in August 2014. Specifically, the Project still has several key milestones to achieve before the Project is ready to begin construction:

- An appraisal that supports the underwriting criteria specified for Seismic Loans;
- Financing commitments equal to or exceeding the total development cost of the Project;
- The construction loan has closed or will close simultaneously with close of escrow of the Port lease and Seismic Loan;
- All required insurance is in place;
- Building permits are ready to be issued;
- A performance bond or completion guaranty is in place;
- A guaranteed maximum price construction contract is in place for the proposed rehabilitation of the Project;
- A minimum level of preleasing of the buildings has been secured.

The current estimated interest rate is 7.5% assuming a taxable G.O. bond issue at 6.5%. The use of this loan will result in payments to the City greater than the costs to repay the bonds, avoiding any impact on the General Fund. The loan will be secured by Orton's leasehold interest with the Port. The Seismic Loan will provide a critical portion of the Project's total funding requirement. since this loan can provide construction financing for the seismic components, replacing costly developer equity.

Before the Mayor's Office of Housing ("MOH") can enter into a loan agreement with Orton, and in advance of the City selling new G.O. bonds, the following actions will need to occur:

- 1) Seismic Loan committee review and consideration of the loan application to determine the application meets statutory underwriting requirements
- 2) Capital Planning Committee approval of the bond issuance
- 3) CEQA clearance of the Project
- 4) Port Commission and Board of Supervisors review and approval of the lease
- 5) Board of Supervisors review and approval of the use of the SSLP and the required bond indebtedness
- 6) Orton meets all development agreement requirements and loan committee conditions, and enters into the lease

INFRASTRUCTURE FINANCING DISTRICT

State law authorizes the establishment of a Port Infrastructure Financing District (IFD) to finance public improvement projects along the San Francisco waterfront. The Port IFD may finance the same types of improvement projects that are financed by non-Port IFDs (open space, parks, and street improvements), as well as projects specific to the Port, including removal of bay fill, storm water management facilities, shoreline restoration, and maritime facility improvements. Increased property tax revenues resulting from certain Port development projects (tax increment) may be redirected from the General Fund to the Port IFD in order to finance public improvements, subject to Board of Supervisors approval. As mentioned above, in 2013 the Board of Supervisors approved a resolution of intention (1) to establish the Port IFD consisting of eight project areas; and (2) directing the Port Executive Director to prepare a financing plan, subject to

Board of Supervisors' approval.

The Port intends to submit the IFD proposal for the proposed development of the 20th Street Historic Buildings to the Port Commission and Board of Supervisors for approval concurrent with the LDDA and lease in the coming months. To that end, Port staff, assisted by a team of consultants led by Keyser Marston Associates (KMA), is currently preparing an infrastructure financing plan (IFP), which will be the foundation of an IFD to be formed pursuant to State and local IFD legislation to fund a portion of public infrastructure improvements supporting the rehabilitation of the historic buildings at Pier 70. The IFP is expected to fund the following improvements with a combined estimated cost of approximately \$1.5 million:

- Upgrade traffic signal at 20th and Illinois Street
- Temporary pedestrian access along Georgia, Michigan and Louisiana Streets
- Repair of sidewalk along 20th and Illinois Streets
- Street lighting and ADA access ramps on each of the streets above

The Project is expected to generate an estimated \$340,000 annually in property taxes. Many of the improvements listed above need to be in place when the Project opens and before significant tax increment is generated. The Port and Orton may have to advance funds for these improvements and be repaid from IFD funds generated after the Project is opened. The full plan of finance for this IFD project area will be described when the Project is before the Port Commission for approvals.

TRANSACTION DOCUMENTS

Legal Effect of the Documents

The lease Disposition and Development Agreement ("LDDA") will be signed by the Port following its approval by the Port Commission and following approval of the lease and any licenses by the Board of Supervisors. The LDDA will go into effect immediately upon execution by the Port and Orton, but the lease will not go into effect until certain conditions are met. These conditions are discussed below. Once these conditions have been satisfied, the lease will be executed and delivered to both parties through an escrow.

The lease will become effective immediately upon delivery to Orton and expire 66 years after the commencement date. The LDDA will expire upon completion of construction and recording of a Certificate of Completion. During the construction period, both the lease and the Development Agreement will be in effect.

Lease Disposition and Development Agreement ("LDDA")

The purpose of the LDDA is to set forth the requirements for the rehabilitation and re-development of the Site, and to set forth the conditions for delivery of the lease to the Developer. The Port will deliver the lease to Orton if the conditions are satisfied. The LDDA provides Orton with the certainty it needs to invest further in the design,

construction documents and approval process for the Project and to finalize the Project financing. The LDDA protects the Port because the Port is not obligated to deliver the lease unless and until the conditions in the LDDA are satisfied. After Orton completes construction of the improvements described in the Scope of Development, the Port will issue a Certificate of Completion, which upon recordation will terminate the LDDA. Port Commission approval of the LDDA is required because it concerns a major development on Port property and sets forth requirements for delivering the lease.

Development of the Site

Under the LDDA, Orton will have the following obligations for development of the Site:

- Accept the Site in its "as is" condition, perform due diligence investigations, remediate hazardous materials, comply with laws and regulations and obtain all regulatory approvals necessary to undertake the planned development;
- Improve the Site and construct the improvements, at Orton's sole cost, in conformance with the Scope of Development and Schematic Drawings and within the timeframes set forth in the Schedule of Performance. These documents will be attached as Exhibits to the LDDA. The improvements must comply with the Secretary's Standards;
- Comply with the mitigation and improvement measures set forth in the Mitigation Monitoring and Reporting Program;
- Carry insurance and indemnify the Port;
- Reimburse the Port for costs of staff time and legal fees incurred during the term of the LDDA;
- Furnish Port with "As-Built Documents" after completion of the improvements;
- If the LDDA terminates prior to close of escrow (for any reason other than a title defect, casualty or a termination caused by a Port event of default), Orton will be required to pay a termination fee of \$200,000 to the Port;
- The default provisions and legal remedies of the parties are set forth in the LDDA, which for the Port include termination, payment of the termination fee, receipt of Project materials, specific performance and damages, and for Orton include termination, specific performance, and receipt of damages equal to the insurance proceeds the Port would have received if there is a casualty prior to close of escrow and Port fails to maintain insurance.

Conditions to Close of Escrow

The following conditions, among others, must be satisfied in order for escrow to close, at which time the lease and Site will be delivered to Orton:

- The Port Commission shall have approved the Transaction Documents, and the Board of Supervisors shall have approved the lease and the [xx#] of Licenses;
- The Port shall have approved the development budget and evidence of adequate financing for the Project, including evidence of Orton's ability to meet debt service obligation(s) and evidence of a commitment letter from a lender, if applicable. The Port also must have approved Orton's statement of sources and uses of funds, which must be sufficient to demonstrate that Orton has or will have funds equal to or exceeding the total development cost of the improvements and that such funds have been spent for uses described in the development budget or are committed and available for that purpose;

- The Port shall have approved Orton's guaranteed maximum price contract for construction of the improvements;
- The Port shall have approved the Schematic Drawings materials and color samples and Final Construction Documents and is ready to issue a building permit;
- Orton shall have submitted evidence satisfactory to Port that the improvements are consistent with the Secretary's Standards, and with the Port's Historic Preservation Review Guidelines ("Port's Guidelines");
- Orton shall have obtained all regulatory approvals required to commence construction of the improvements. These approvals include a letter of determination from the State Lands Commission ("State Lands") that the Project is consistent with the public trust, and permits from the Regional Water Quality Control Board [confirm]
- Orton shall have deposited exaction fees that are required to be paid prior to close of escrow;
- Orton shall have provided a personal guaranty to secure the performance of sufficient improvements at the Site to leave the property in a leaseable condition if Orton were to terminate the LDDA before completion of the improvements.

Key Exhibits to the LDDA

Scope of Development

The Scope of Development sets forth the improvements that are to be constructed on the Site by Orton.

Schedule of Performance

The Schedule of Performance sets forth the deadlines by which the parties are required to submit or approve documents prior to close of escrow and deadlines by which the parties are required to act during the construction phase of the Project. All deadlines are subject to force majeure.

Schematic Drawings

Schematic Drawings consisting of site plans and elevations will be attached to the LDDA.

Development Budget

The Development Budget for the Project, showing a total development cost of \$75 million

Lease ("Lease")

The Lease between the Port and Orton will be delivered through an escrow when the conditions of the LDDA are satisfied. Port Commission approval of the Lease is required because it concerns a major development on Port property and has a term of 66 years. Orton will be referred to in this section as "Tenant."

The following business terms have been negotiated between Port Staff and Tenant:

Term

66 years.

Commencement Date

The Lease commences when the Project closes escrow.

Termination Date

66 years from the Commencement Date.

Premises

Initial Site: Buildings 113, 114, 115 and 116 and the adjacent Plaza as depicted on the site plan attached as *Exhibit A-4* (the "Initial Site")

The Premises may be expanded from time to time to include additional land and buildings, each an Expansion site, as provided in the LDDA. The "Premises" means collectively the initial and any expansion sites.

Memorandum of Technical Corrections

The Parties reserve the right, upon mutual agreement of Port's Executive Director and Tenant, to enter into memoranda of technical corrections hereto to reflect any non-material changes in the actual legal description and square footages of the Premises, and upon full execution thereof, such memoranda will be deemed to become a part of this Lease.

Uses

Tenant will use the Premises for the following uses and for no other use without the prior written approval of Port, not to be unreasonably withheld, which Permitted Uses may include:

Building 101: general office use, cafeteria, restaurant, or industrial kitchen use limited to the basement, and residential use of an existing penthouse residential unit located on the 5th floor, and related ancillary uses only.

Building 104: general office or medical office use and related ancillary uses only.

Building 102: restaurant or commercial uses (excluding office uses) only

Buildings 113, 114, 115, 116 and 14: Only design, production (including light manufacturing), research, recreation and arts-related activities and related ancillary uses, including ancillary office, showroom, and retail, all in accordance with an Operations Plan approved by Port.

Atriums and Plazas: Public and private events, food service, loading, and retail.

A Project office for Tenant's use may be located within any one of the Buildings (other than Building 102) on the Premises.

Signs

Tenant does not have the right to place, construct or maintain any Sign on the exterior of any Buildings within the Premises without Port's prior written consent.

Required Public Access Areas

Tenant must maintain throughout the Term, dedicated public access areas within the Premises, including areas within the Buildings where non-Public Trust uses are contemplated, to permit the public to view the interior and exterior historic architectural amenities, the Historic Fabric, and other amenities to educate the public about such Historic Building and its contribution to maritime history.

Consistency with Public Trust/Mandatory Uses

In approving this Lease, the Port Commission has made certain findings that the proposed development contemplated under this Lease and the LDDA promotes Public Trust objectives, including, Rehabilitation and preservation of the Buildings, dedication of Public Access Areas, visitor-serving commercial recreation uses. Consequently, Port may withhold its consent in its sole and absolute discretion with respect to any change in any Permitted Uses, if such changes would result in a violation of Port's authority as trustee under the Burton Act, as reasonably determined by Port.

Minimum Rent

From and after the earlier of (i) the twentieth (20th) Anniversary Date, or (ii) if the Developer Equity Repayment Date is earlier than the tenth (10th) Anniversary Date, the tenth (10th) anniversary of the Developer Equity Repayment Date ("**Minimum Rent Commencement Date**") and continuing thereafter throughout the Term, Tenant will pay to Port monthly installments of rent equal to one hundred percent (100%) of the the minimum rent as adjusted by the consumer price index. (the "**Minimum Rent**").

Delay of Minimum Rent Commencement Date Due to Unforeseen Condition:

If Tenant encounters an Unforeseen Condition during construction of the Initial Improvements that would cause the amount of Developer Equity expended by Orton on the Project to exceed fourteen million dollars (\$14,000,000), Tenant will deliver to Port an Unforeseen Condition Notice. If Port agrees with Tenant's determination, the Parties may elect to increase the maximum permitted Developer Equity (aka \$14 million) by an additional amount to be determined between the Parties ("**Additional Developer Equity**"). If the Additional Developer Equity would cause the Developer Equity Repayment Date to be delayed beyond the tenth (10th) Anniversary Date, then the Minimum Rent Commencement Date will be the later of (i) the twentieth (20th) Anniversary Date or (ii) the tenth (10th) anniversary of the Developer Equity Repayment Date. In addition to negotiating the amount of Additional Developer Equity, the Parties will negotiate the rate of return on the Additional Developer Equity, which rate of return will not exceed fourteen percent (14%) per annum, at simple interest. If Port disagrees with Tenant's determination of Unforeseen Condition, then the Parties will meet as many times as necessary over the next twenty-one (21) days to resolve their disagreement. If the Parties are unable to resolve their disagreement within such twenty-one (21) day period, (i) Port's determination will control, (ii) it will be deemed as if Tenant never delivered the Unforeseen Condition Notice, and (iii) the Minimum Rent Commencement Date will remain unchanged.

Adjustments to Minimum Rent:

5-Year Adjustment to Minimum Rent: On each Adjustment Date, the Minimum Rent payable under this Lease will be adjusted to equal the greater of (i) the Minimum Rent in effect immediately prior to such Adjustment Date, or (ii) one hundred percent (100%) of the amount determined by multiplying the Minimum Rent in effect immediately prior to such Adjustment Date by a fraction, the numerator of which is the Current Index and the denominator of which is the Prior Index.

In no event will any adjustments to Minimum Rent exceed twenty percent (20%) of the Minimum Rent as adjusted payable for the immediately preceding Adjustment Period.

Periodic 10-Year Adjustment to Minimum Rent:

On each Periodic 10-Year Adjustment Date, the Minimum Rent payable under this Lease will be adjusted to equal the higher of (i) the Minimum Rent then in effect, or (ii) the amount obtained by adding all of the Participation Rent due for the five (5) year period immediately prior to the applicable Periodic 10-Year Adjustment Date, dividing the total by five (5), and multiplying the result by 0.6. By way of example only, if total Participation Rent due to Port for the five (5) year period immediately prior to the applicable Periodic 10-Year Adjustment Date was equal to \$5,000,000, then the adjusted annual Minimum Rent due as of the applicable Periodic 10-Year Adjustment Date would equal \$600,000.

Application of Net Revenues to Developer Equity Return and Developer Equity

On the first (1st) day of each month that a Monthly Net Revenues Statement is due to Port until the Developer Equity Repayment Date, one hundred percent (100%) of the amount of Net Revenues shown in such Monthly Net Revenues Statement will be applied (i) first, against outstanding Developer Equity Return until fully paid, and (ii) second, against outstanding Developer Equity and Deferred Port Transaction Costs, which shall be applied *pari passu* in proportion to the respective amounts of each that remain outstanding as of the date of payment. If the Annual Net Revenues Statement shows any Net Revenues collected for the prior calendar year were not applied against Developer Equity Return, Developer Equity, or Deferred Port Transaction Costs, as applicable, then the previously unapplied Net Revenues will be applied as of the first (1st) day of the month that such amount should have been applied against Developer Equity Return or Developer Equity, as applicable.

Participation Rent

From and after the Developer Equity Repayment Date and throughout the Term thereafter, Tenant will pay to Port participation rent on a quarterly basis equal to (i) fifty percent (50%) of Net Revenues (ii) less the Minimum Rent due and payable for the applicable calendar quarter ("**Participation Rent**").

Cash Flow Bonus

If Tenant meets all of the following conditions, Tenant will be entitled to a Cash Flow Bonus from the Net Revenues generated from the Premises during the first full calendar year immediately following the Developer Equity Repayment Date until the calendar year that includes the twentieth (20th) Anniversary Date (the "**Potential Bonus Period**");

- (i) All outstanding Developer Equity has been fully repaid;

- (ii) All outstanding Deferred Port Transaction Costs and any Transaction Costs due and payable to Port under the LDDA have been fully repaid;
- (iii) Net Revenues exceed the Cash Flow Bonus Threshold; and
- (iv) There is no uncured or outstanding Tenant Event of Default.

During the Potential Bonus Period, Tenant will include (i) in each Monthly Net Revenues Statement, Tenant's estimate of the amount of Cash Flow Bonus it will be entitled to at the end of the applicable calendar year, and (ii) in each Annual Net Revenues Statement, the actual amount of Cash Flow Bonus Tenant is entitled to for the applicable calendar year, accompanied by documentation to support its position. Subject to Port receiving the Annual Net Revenue Statement in accordance and in compliance with the Lease, Tenant will be entitled to a Cash Flow Bonus set forth in such Annual Net Revenue Statement. The Cash Flow Bonus will be deducted from Net Revenues immediately prior to calculating the Participation Rent due to Port at the end of each calendar year. In no event will the amount of Net Revenues or the Cash Flow Bonus Threshold used to calculate Cash Flow Bonus include any Transfer Proceeds, Net Transfer Proceeds, Refinancing Proceeds, or Net Refinancing Proceeds.

Distribution of, and Port's Participation in, Transfer Proceeds of Initial Tenant

Transfer Proceeds from the first Transfer by the initial Tenant, Historic Pier 70, LLC, will be distributed in the following order:

- (i) First, to pay down the outstanding principal amount of outstanding indebtedness secured by a Permitted Mortgage, if any, including any associated fees and prepayment and defeasance costs;
- (ii) Second, to pay Port's Attorneys' Fees and Costs associated with Port's review of the Transfer;
- (iii) Third, to pay Costs of Transfer;
- (iv) Fourth, to pay down any outstanding amount of Developer Equity Return, if any;
- (v) Fifth, to pay down any outstanding amount of Developer Equity, if any;
- (vi) Sixth, to Port ten percent (10%) of the amount of Transfer Proceeds remaining after deducting the foregoing items 4.7(b)(i) through and including 4.7(b)(v); and
- (vii) Seventh, the remainder to Tenant.

Distribution of, and Port's Participation in, Transfer Proceeds by Subsequent Tenants

Transfer Proceeds from and after the second Transfer will be distributed in the following order:

(viii) First, to pay down the outstanding principal amount of existing debt secured by a Permitted Mortgage to finance the construction of the Project, if any, including any associated fees and prepayment and defeasance costs;

(ix) Second, to pay Port's Attorneys' Fees and Costs associated with Port's review of the Transfer;

(x) Third, to pay Costs of Transfer;

(xi) Fourth, to Port ten percent (10%) of the amount of Transfer Proceeds remaining after deducting the foregoing items 4.7(c)(i) through and including 4.7(c)(iii); and

(xii) Fifth, the remainder to Tenant.

Port Participation in Refinancing Proceeds

Tenant and all subsequent assignees will pay to Port fifty percent (50%) of the Net Refinancing Proceeds, if any, from close of escrow for each Refinancing that occurs during the Term.

Improvements & Subsequent Construction

Tenant is obligated to construct the improvements set forth in the Scope of Development and has the right to construct additional improvements throughout the term of the Lease. All improvements must comply with the Secretary's Standards.

Repairs and Maintenance

Throughout the Term, Tenant will maintain and repair, at no cost to Port, the Premises and all Improvements thereon in substantially the condition the Improvements were Completed (as defined in the LDDA) pursuant to the terms and conditions of the LDDA, less reasonable wear and tear,

Management and Operating Covenants

Tenant is required to: (i) manage and operate the Premises at no cost to Port and to maintain the Premises consistent with a first-class light industrial/restaurant project located in San Francisco; (ii) keep the atrium open to the public during business hours; (iii) install and fly a Port flag on the all roofs; (iv) obtain Port's consent for exterior improvements; (v) obtain Port's consent for outdoor exhibits unless certain criteria defined in the Lease are met, in which case prior Port consent is not required; (vi) remove graffiti promptly from the Premises; (vii) abide by the Mitigation Monitoring and Reporting Program attached to the Lease; and (viii) comply with the Pier 70 Risk Management Plan attached to the Lease.

Leasing of Premises and Reporting of Leasing Activity

Tenant will engage one or more leasing agents for the leasing of the Premises ("Leasing Agent") at least 120 days prior to issuance of the first final Certificate of Occupancy for any of the Buildings. Tenant will cooperate with Leasing Agent in (i) making every reasonable effort to obtain and retain desirable subtenants for the Premises, and (ii) preparing advertising plans and promotional material to be used to further rentals, approved in advance by Tenant. Immediately as space becomes available, Tenant will assist Leasing Agent in preparing adequate rental listing

information, prior to distribution to reputable and active real estate brokers. After a vacancy is listed, Tenant will cooperate with Leasing Agent and with any outside brokers in a manner likely to aid in successfully filling the vacancy. Tenant will permit Leasing Agent to show the Premises during reasonable business hours, subject to the rights of existing subtenants and other users and occupants of the Premises. Tenant will promptly respond to, or refer to Leasing Agent, all inquiries regarding the leasing of the Premises. Tenant agrees to perform whatever service may be required in connection with the negotiation of new subleases, sublease renewals, extensions, modifications or cancellations thereof.

From and after the third (3rd) calendar quarter following issuance of the first final Certificate of Occupancy for any of the Buildings, Tenant will provide Port with monthly reports on the status of leasing the Premises (the "**Leasing Activity Report**") and maintain accurate records as to space leased, optioned, and available to lease to insure the best placement of tenants taking into consideration options to extend and to expand. The Leasing Activity Report is due by the 20th day of each calendar month for the immediately preceding calendar month and will be submitted concurrently with the applicable Monthly Net Revenues Statement.

Utilities

Tenant is responsible for providing all utilities to the Premises, including installation and connection, and for separating utilities from adjacent properties.

Insurance

Tenant will be required to carry a complete package of insurance on the Premises, which has been approved by the City's Risk Manager.

Damage or Destruction

In the event of a casualty, Tenant may not terminate the Lease or stop paying rent, and must restore the Premises, except in the following circumstances: if there is a "major casualty" (meaning the cost of damage exceeds 60% of the cost to replace) occurring in the last ten years of the term, or if there is an "uninsured casualty" (as defined in the Lease) occurring anytime during the term, then Tenant may elect either to restore the Premises or terminate the Lease.

Security Deposit

Tenant shall pay to Port a security deposit (as adjusted from time to time) for the Premises in an amount equal to two (2) monthly installments of Minimum Rent.

Environmental Financial Performance Deposit

Tenant will deliver to Port an environmental financial performance deposit in an amount to be determined as adequate for protecting the Port from the increased potential environmental liability arising out of Tenant's activities.

Environmental Oversight Deposit

Tenant will deliver to Port an environmental oversight deposit in cash, in an amount equaling Ten Thousand Dollars (\$10,000), as security for Port's recovery of costs of inspection, monitoring, enforcement, and administration during Tenant's operations under this Lease of Tenant's performance of its obligations.

Assignment

Tenant may not assign the Lease without the prior written consent of the Port (which consent may be withheld in Port's sole discretion) except to a permitted mortgagee, to an entity for the purpose of taking advantage of historic preservation tax credits or tax-exempt bonds, or to an entity affiliated with Tenant.

Indemnification and Waiver:

The Lease contains standard **General Indemnification** and **Hazardous Materials Indemnification** provisions.

Defaults and Remedies

If Tenant defaults under the Lease, Port has all rights available at law or in equity, including the right to keep the Lease in effect and collect rent and the right to terminate the Lease. If the Port defaults under the Lease above, Tenant has the exclusive right to offset or deduct only from the Rent becoming due hereunder, the amount of all actual damages incurred by Tenant as a direct result of the Port Event of Default, but only after obtaining a final, unappealable judgment in a court of competent jurisdiction for such damages in accordance with applicable Law and the provisions of this Lease, or equitable relief.

Leasehold Mortgages

Tenant will be permitted to mortgage its leasehold interest (but not the fee) in the Premises by way of no more than two mortgages, with Port's prior consent. A mortgage may be given only to an institutional lender or a lender approved by Port in its sole discretion. A mortgage may be granted only for the purposes of financing construction of the improvements, for permanent take-out financing or for refinancing.

City Requirements

Tenant is required to comply with all City policies and ordinances now in effect or as they may be amended from time to time.

LOCAL CONTRACTING AND HIRING COMMITMENTS

ODI is working with the City's CityBuild program and the Contract Monitoring Division to ensure that local disadvantaged businesses (LBE) and local residents participate in this Project.

The Seismic Safety Loan Program requires 25% of total worker hours be completed by economically disadvantaged workers earning 50% or less of the local median income; this requirement will apply for the estimated \$20 million of Project costs funded through the loan. ODI has agreed to use local workers for 25% of total worker hours and a LBE participation goal of 17%.

The SSLP requires the Orton to seek at least one bid for the structural work from a Local Business Enterprise (LBE), certified as such by the Contract Monitoring Division. However, while the loan program does not require a specific target for LBE participation

in the Project, the Contract Management Division reviewed the types of construction work needed for this specialized Project and after review by CMD and ODI, the Orton has agreed to the aforementioned 17% goal for all Project work to be performed by LBEs.

The Lease will require ODI and its subtenants to participate in the City's First Source Hiring Program (San Francisco Administrative Code Sections 83.1 et seq.) which establishes specific requirements, procedures and monitoring for first source hiring of qualified economically disadvantaged individuals for entry-level positions.

COMMUNITY OUTREACH

Since being selected as the Port's development partner for the Project Orton has met with neighbors and stakeholders. The ideas of and observations generated by this outreach have been incorporated into the Project plans.

On March 18, 2014, Orton met with San Francisco Architectural Heritage to present the Project's approach to preserving the historic fabric of the site. Heritage staff support the Project and have offered to write a letter to the Port Commission stating same.

On March 19, 2014, Orton provided a Project update to the Central Waterfront Advisory Group ("CWAG"). The membership was supportive of the Project and likewise offered to write a letter to the Port Commission stating their support of the Project. On April 16, 2014 Orton presented CWAG further details on prospective tenanting plans and parameters for the publically-accessible portions of the Project – the Plaza and atrium.

Orton has also met with the Dogpatch Neighborhood Association, the Potrero Boosters and the Heritage Preservation Commission. These groups and numerous individual members of the neighborhood have expressed enthusiastic and wide-spread support for the Project.

FISCAL ANALYSIS

Development Economics

Since being selected as the Port's development partner in 2012, Orton has been performing predevelopment due diligence with regard to the development economics of the Project. These activities have included: (1) working with their design and engineering team to develop an approach to the rehabilitation of the buildings, (2) working with Orton's general contractor, Nibbi Brothers, to refine the construction cost estimate, (3) estimating market rental rates and operating expenses, and (4) assembling the necessary financing. Orton has made significant progress in understanding the Project's economics and has prepared a development pro forma that contains their best estimates of Project economics as they stand today. The pro forma is designed to err on the conservative side; going forward Orton will continue to refine the cost and revenue projections based on further due diligence. Therefore, the final development economics of the Project will likely deviate somewhat from those summarized in this report.

Development Costs

The Project's development costs can be broken down into the following main categories: (1) direct costs of construction, (2) indirect or soft costs, and (3) financing costs. In total, the Project is estimated to cost approximately \$74 million (as shown on Table 3 above) to complete or \$279 per square foot of gross building area.

The direct construction cost estimate is based on estimates from Orton's general contractor, Nibbi Brothers, and includes standard general contractor costs such as general conditions, contractor insurance, and contractor overhead/profit.

The rehabilitation of the Project buildings is required to be consistent with the Secretary of the Interior's standards for historic buildings. The construction costs are based on build out of the space to a cold shell condition (i.e. individual tenants will have to install additional improvements to suit their needs), although subsequent lease negotiations with individual tenants will ultimately determine what level of tenant improvements will be borne by Orton. Orton has included in their pro forma a tenant allowance of roughly \$5 per square foot to be provided to tenants for specialized build-out of their space.

In the subsequent months leading up to the targeted summer construction start, the Project will go out to bid, after which there will be a guaranteed maximum price (GMAX) construction contract. In addition, the LDDA will require that the Project have either a performance bond or a completion guaranty furnished by J.R. Orton III in order to protect against the Project not being completed in the event of cost overruns.

Operating Income

Operating income from the Project will be derived from leasing of the buildings to light industrial, office, and restaurant tenants. Based on their discussions with prospective tenants and on current market conditions for similar space, Orton is projecting total gross rental income from the Project at approximately \$5.97 million per year. This equates to almost \$25 per square foot of net leasable area on average. Higher rents are projected for the office and restaurant space and lower rents to the light industrial space.

Sources of Funds

The following is a brief summary of the various sources of funds in the financing plan (in no particular order):

- *Port Contribution.* The Port is committing a \$1.5 million capital contribution for the Project and an additional \$250,000 in grant funds from the California Cultural Equity Endowment. In addition, the Port is deferring most of its transaction-related costs until they can be repaid from Project cash flow.
- *Orton Equity.* Orton is committing up to \$14 million in equity. However, it is advantageous for the financing plan to utilize lower cost financing when available. The current financing plan includes \$5 million in Orton equity during

construction, which is repaid out of a combination of operating cash flow and permanent (take-out) financing.

- *Historic Tax Credits & Bridge Loan.* Because the buildings are listed on the National Historic Register, the Project will qualify for historic tax credits to fund a portion of the rehabilitation costs. Orton estimates that approximately \$13 million in historic tax credit equity can be raised. A bank bridge loan might be used as temporary construction financing until the tax credit equity is in place.
- *Bank Construction Loan.* A \$35 million bank construction loan will fund nearly half of the Project's costs. The bank will require a personal guarantee and certain pre-leasing requirements prior to funding of the loan.
- *Seismic Safety Loan Program (Seismic Loan).* This City sponsored financing source is described in detail in the following section of this report. Currently MOHCD's loan committee is underwriting a \$19 million loan. Orton may utilize this loan as construction financing (taking draws based on ongoing construction expenditures) but the pro forma presumes that the loan will remain in place for a total of eight years after which it will be repaid with permanent take-out financing.
- *Permanent Take-Out Financing.* Once the Project is complete and the operating income stabilized, Orton will take out the bank construction loan with permanent financing. Orton is proposing to utilize industrial revenue bonds for permanent take-out financing, which generally offers more favorable terms for long-term debt. As currently projected, there will be two tranches of permanent financing. The first tranche is estimated to be available immediately following construction completion (estimated in 2017) and will be used to repay the bank construction loan. The second tranche will be used to repay the Seismic Loan in 2021(approximately eight years into the 20-year Seismic Loan term, in order to conform to the City's requirement that eight years pass before bond-backed debt is repaid). If the Seismic Loan is not prepaid prior to the 20-year term, the second tranche of permanent financing would not be required.

Projected Port Rent

The Lease requires minimum base rent of \$200,000 per year (in 2014 dollars upwardly adjusted by CPI) beginning no later than 20 years after Lease execution (projected to be in 2034). The Port will also receive Participation Rent based on net Project income after Orton has received a 14% simple return on its equity investment. Based on current projections, the Participation Rent will begin as early as 2022 and will far exceed the amount of the Base Rent. Based on the "base case" pro forma projection, Orton will provide an upfront \$5 million equity investment into the Project which will be repaid in 2022 through after-debt Project cash flow and residual permanent financing proceeds. Once Orton's equity return has been paid, the Project's net income is split 50/50 with the Port.

Orton will continue to refine the pro forma in the coming months as leases are secured

by tenants, the construction contracts go out for bid, and financing terms and commitments are finalized.

Based on the pro forma Port Participation rent will commence in 2022, at \$457,000 annually, rising to just over \$1 million in 2034. The net present value discounted at 6% of the total (Base and Participation Rent) Port's rents is estimated at \$18.6 million.

Risk Analysis

A development project of the complexity of the Project has many challenges that could affect the financial outcomes to the Port. In recognition of the fact that the Project's ultimate development economics can vary from the pro forma, Orton has run sensitivity analyses to test the economic impacts of changes to certain pro forma assumptions.

The three risk factors tested were: (A) delayed construction of Buildings 101, 102, and 104, (B) 15% higher rehabilitation costs, and (C) 15% lower rents.

- *Sensitivity A: Delayed Phasing.* As mentioned, the first phase of the Project must include Buildings 113, 114, 115, and 116 (the industrial buildings on the south side of 20th Street) but not buildings 101, 102, and 104 on the north side of 20th. Since the base case pro forma and underwriting is based on the whole Project being built in one phase, this scenario results in a delay in Project revenues. The results of this sensitivity are that the Port's rent would be delayed by eight years (to 2030) and total rent would be about 10% less than currently projected.
- *Sensitivity B: 15% Higher Cost.* This sensitivity tests the impacts of a 15% increase in capital costs, or a roughly \$10.8 million increase. Barring other sources of funds that might be identified, this change would require Orton to contribute about \$8.4 million more equity to complete the Project (the difference is made up mostly from higher tax credits, which are tied directly to costs). Since the Port's Participation Rent is calculated after Orton has achieved its equity return, in this scenario the Port's rent would be delayed by 12 years (2034) and total rent would be about 40% less than currently projected. Per the Term Sheet, the Port's Base Rent would begin no later than Year 20 of the Lease regardless of whether Orton has received its equity return.
- *Sensitivity C: 15% Lower Rents.* In this scenario gross rental income is assumed to be 15% lower than projected. The results of this scenario would be that the Port's rent would be delayed by 12 years (2034) and total rent would be about 60% less than currently projected.

NEXT STEPS

After seeking the Port Commission's input today Port staff, depending on that feedback, will bring the Project back to the Port Commission for consideration of Project approval. If, after completion of the CEQA review and consideration of the CEQA findings, the Port Commission approves the Transaction Documents the following additional steps need to happen for final approval of the Project, including the Seismic Loan and IFD:

- 1) Seismic Loan committee review and consideration of the loan application to determine the application meets statutory underwriting requirements;
- 2) Capital Planning Committee approval of the IFD, Seismic Loan, and bond issuance;
- 3) The Board's Budget and Finance Committee consideration of the Project including review of the Lease, IFD, Seismic Loan and the required bond indebtedness by the Budget Analyst;
- 4) Board of Supervisors review and approval of the Lease, IFD, Seismic Loan and the required bond indebtedness; and
- 5) Orton will meet all LDDA requirements and loan committee conditions, and enter into the Lease.

Throughout this process, there will be numerous additional opportunities for public comment and review of the Project.

PROJECT BENEFITS

Rehabilitation of these historic structures and allowing their reuse and public enjoyment is both the primary outcome of the project and the primary community benefit. The challenging nature of the Pier 70 project as a whole, with a particular focus on the historic resources, was well understood by the public and policymakers in November 2008 when 68 percent of voters supported Proposition D amending San Francisco's Charter to facilitate the Pier 70 project. As discussed above, Orton's project will include a public plaza and spaces to foster the community's enjoyment of Pier 70's heritage.

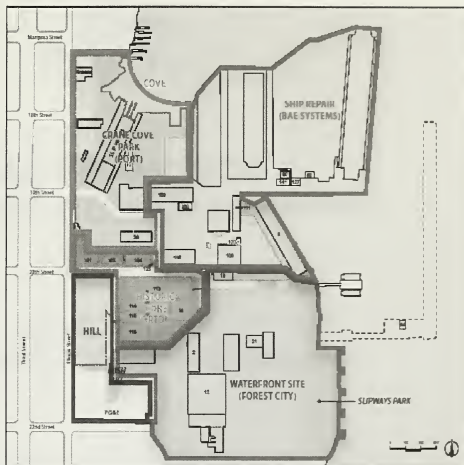
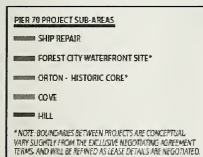
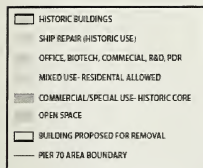
These buildings will provide 400-500 jobs when the project is complete and leased. Construction of the project, over a two year period, will employ an estimated 250 workers (full time equivalents). In both the construction of the project and in its long-run operation, Orton is committed to working closely with the City to employ San Franciscans and use local businesses to accomplish the following important goals:

1. Saving an extraordinary collection of historic buildings from potential collapse. The Port's Capital plan has approximately \$110 million of unfunded costs for these structures. Transferring responsibility for these buildings to Orton will reduce the Port's unfunded capital requirements and positively affect the Port's credit outlook.
2. Adding to the value of Port Property. This effort would create about \$50 to \$60 million of new assessed value that could be bonded to provide \$4 to \$5 million of future infrastructure financing district funding for Pier 70.
3. Improving the Port's operating cash flow. In the near-term, reducing security costs and repair costs due to vandalism.
4. Providing Port revenue, in the longer-term.

Prepared by: Phil Williamson, Project Manager
Through: Jonathan Stern, Assistant Deputy Director
Waterfront Development
For: Byron Rhett, Deputy Director
Planning & Development

Exhibits
A. Location Map

EXHIBIT A: PIER 70 PROJECTS



SEPTEMBER 2012

G:\05-Southern Waterfront\Pier 70 Master Plan\Graphics\April 2010 Plan Maps\PDF Maps (for print)\p70_Exhibit-A-v.1_9-20.pdf



SAN FRANCISCO PORT COMMISSION

**APRIL 22, 2014
MINUTES OF THE MEETING**

**MEMBERS, PORT COMMISSION
HON. LESLIE KATZ, PRESIDENT
HON. WILLIE ADAMS, VICE PRESIDENT
HON. KIMBERLY BRANDON
HON. MEL MURPHY
HON. DOREEN WOO HO**

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AMY QUESADA, COMMISSION SECRETARY**

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING APRIL 22, 2014

1. CALL TO ORDER / ROLL CALL

Port Commission President Leslie Katz called the meeting to order at 2:02 p.m. The following Commissioners were present: Leslie Katz, Willie Adams, Kimberly Brandon, Mel Murphy and Doreen Woo Ho.

2. APPROVAL OF MINUTES – March 25, 2014

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor; the minutes of the March 25, 2014 meeting were adopted.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

At 2:03 p.m. the Commission withdrew to executive session to discuss the following:

- (1) PUBLIC EMPLOYEE APPOINTMENT – This is specifically authorized under California Government Code Section 54957.
 - a. Consideration and Possible Action on Public Employee Appointment- Chief Harbor Engineer
- (2) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative:
 - a. Property: Pier 27, located on The Embarcadero at Lombard Street, and Pier 35, located on The Embarcadero at Bay Street
Person Negotiating: Port: Peter Dailey, Deputy Director, Maritime and Elaine Forbes, Deputy Director, Finance and Administration
*Negotiating Party: Metro Cruise Services, LLC: Stefano Borzone

- b. Property: Block 4111, Lots 3 and 4; Block 4110, Lot 1; Block 4046, Lots 1 and 2; also known as Pier 70 20th Street Historic Buildings, located near the intersection of 20th Street and Illinois Street
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development
*Negotiating Parties: Developer: Orton Development, Inc.: J.R. "Eddie" Orton III, President

5. RECONVENE IN OPEN SESSION

At 3:45 p.m., the Commission withdrew from executive session and reconvened in public session.

ACTION: Commissioner Brandon moved approval to adjourn closed session and reconvene in open session; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Adams moved approval to not disclose anything discussed in closed session. Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS – The Port Commission Secretary announced the following:

- A. **Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting:** Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. **Announcement of Time Allotment for Public Comments:** Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

9. EXECUTIVE

A. Executive Director's Report

- Record Cruise Calls for 2014 and 2015

Monique Moyer – We are really excited to report that 2014 will be a record-setting year for cruise shipping at the Port of San Francisco. We're expecting 75 cruise ship calls carrying approximately 260,000 guests plus the crews.

This is a new high record for the port in modern time, and we're very excited about it. This has been continuing over the last couple of years. In 2013, the Port hosted 64 cruise ship calls at 213,000 cruise ship passengers and that was our highest number of guests since 2006.

We are seeing an incredible growth in our business here on the West Coast for any number of reasons but we're very excited about it. 2015 is looking even bigger with 84 calls booked. We are expecting to crack the 300,000-passenger mark for the first time in modern time.

It's timed perfectly for the inauguration of our new cruise ship terminal, the James R. Herman cruise ship terminal, which will see its first port cruise call on September 18, 2014 and will be just a great place to welcome our passengers. It's a modern design, a modern terminal. We'll be able to do clearing of customs off the ship in our new building. We'll be hooking up to shore power to be able to be environmentally friendly. We'll be able to use the large site to get the provisioning trucks off the Embarcadero and the tourist vans and buses off the Embarcadero. We're really excited about it. We're a year-round home port for cruises to Alaska, Mexico and Hawaii. 39 of the 75 bookings for 2014 are home port calls, which is about 52 percent, 33 of which are offered by Princess Cruises.

Princess Cruises continues to be our largest client. The cruise industry is an important part of the port strategies including maritime, recreation and transportation, which we value very much. We are looking forward to the inauguration of the James R. Herman cruise terminal at Pier 27 in September.

We're looking forward to breaking the 300,000-passenger mark so onward and upward. I want to thank in particular Peter Dailey and Michael Nerney and Commissioner Adams and members of the ILWU, who have been traveling around pressing hard to win us more business. It seems to be coming to fruition.

It takes a long lead time given that the cruise ships book out almost 18 months in advance. If you're marketing today, it takes 18 months before you'll see the fruits of your labor but it is clearly paying off, and we couldn't be more proud of everyone's efforts. We're looking forward to a record year for our cruise industry.

- San Francisco Coast Guard Appreciation Day – April 26, 2014, Pier 39 at 12 noon

On Saturday, April 26, 2014, is San Francisco Coast Guard Appreciation Day. This is going to be a very fun event hosted at Pier 39 in Fisherman's Wharf. The San Francisco Coast Guard Appreciation Day honors the active-duty men and women of the U.S. Coast Guard who operate in the waters around San Francisco Bay.

At Pier 39, visitors will get to see them in the act of rescue, air and water exhibitions. Visitors will get a chance to go aboard the Coast Guard vessels. They'll watch rescue swimmers drop from helicopters. They'll meet with boatmen and women and canine units and get a better sense of who the Coast Guard is and what they do.

The events take place from 12:00 noon to 4:00 p.m. There will be two showings of the canine team demo. There will be two showings of the flight and rescue swimmer demo and there will be a couple of great speakers.

A Coast Guard surfman will speak as well as a helicopter pilot and a rescue swimmer. A number of us attended the Coast Guard Foundation's heroes evening last week. It's incredible what the men and women of the Coast Guard do, how they put their own families on hold and risk their lives to rescue the rest of us. We couldn't be more touched and inspired by them. This is a really fun way for the general public to get to appreciate the Coast Guard. Hopefully, people can come out to Pier 39 this coming Saturday.

- Board of Supervisors Budget & Finance Committee Hearing: State of the Port – April 30, 2014 at 1 pm, Legislative Chamber, Room 250, City Hall

This year, the Port will have potentially three hearing dates. We'll start off on April 30, 2014 at 1:00 p.m. in the legislative chambers of city hall. This year's budget committee has asked for a presentation in advance of the actual budget presentation, something they're calling a state of the port.

Effectively, it'll be looking at the port's goals and where we think our two-year budget will take us, our resources and how that will help us to achieve our goals in the next two years. We'd welcome anybody from the public that would like to attend and support us.

- Port Budget Hearings – May 14 and May 21, 2014, Legislative Chamber, Room 250, City Hall

The primary Port budget hearing will be held on Wednesday, May 14, 2014. If there's any need to come back, the committee has reserved Wednesday, May 21, 2014 as well. If any of you would like to join us and be supportive, we would very much welcome that. This is, again, our second time presenting and hopefully getting approval for a two-year budget. We're looking forward to the dialogue with members of the Board of Supervisors.

- Sunday Streets – May 4, 2013 from 11 am to 4 pm on Terry Francois Blvd and Third Street, connecting Mission Bay, Dogpatch and the Bayview

The next Sunday Streets is coming to the Bayview on Sunday, May 4, 2014 from 11:00 a.m. to 4:00 p.m. This will be the fifth year that Sunday Streets

has visited the neighborhoods of Bayview and Dogpatch. This is the longest contiguous route for Sunday Streets. It's three-and-a-half miles of car-free space, which makes for a really unique experience. It's a lot of fun. Everyone is urged to bring their bicycles so that they can traverse the full three-and-a-half miles.

At each end of the Sunday Streets, the three-and-a-half miles, there will be amazing music and events. At the northern end, which will be near China Basin, the Stern Grove Festival Association will be putting on performances by the Family Crest and ODC Dance as well as an instrument petting zoo with Magik*Magik Orchestra and other things.

At the southern end in the Bayview, the Hunter's Point Shipyard Artists will be hosting a spring open studios nearby. There will be artists from seven buildings, food by the Bayview Underground Food Scene Pop Up Market and, of course, local vendors, live jazz, youth art and other art for kids.

We urge everyone to come out and participate in Sunday Streets. If you would like to volunteer, they're always looking for volunteers to help organize and run the event.

- Plaque dedication ceremony in honor of Mrs. Catherine Baccari, late wife of Alessandro Baccari – May 9, 2014 at 3 pm at the Fisherman's Wharf Chapel

This time, I found out earlier today, is supposed to be a secret. Hopefully, it will still be a secret after today. There will be a plaque dedication ceremony for Mrs. Catherine Baccari at the Fisherman's Wharf chapel on May 9, 2014. Mr. Baccari is not supposed to know. So if any of you are watching on TV, please don't tell him, or I will be in great trouble.

Mrs. Baccari passed away in August of 2012. She and Mr. Alessandro Baccari have been members of the Fisherman's Wharf and port community for most of their lives. Mrs. Baccari was born in Italy and came out to California when she was quite young.

Mr. Baccari, of course, grew up here in San Francisco. They've done an incredible amount for the port and for Fisherman's Wharf, most notably helping to have the port keep open its fish processing center at Pier 45, being able to secure state funds to do that and creating a Fisherman's Wharf chapel, which is a memorial to the seamen who have been lost at sea as well as a couple other people who have been notable in the Fisherman's Wharf area.

I've been asked to invite all of the commissioners and any members of the public that would like to memorialize and celebrate the life of Catherine Baccari on May 9, 2014. Again, please don't say anything to Mr. Baccari.

- San Francisco Heritage Soiree – May 10, 2014 at 6 pm at Palace of Fine Arts

The Annual San Francisco Architectural Heritage Soiree will be held on Saturday, May 10, 2014 at 6:00 p.m. at the Palace of Fine Arts. This is a black-tie dinner, dancing and silent auction and casino event. It raises funds for San Francisco Heritage as well as a great opportunity to interact with the community and celebrate all of the great historical features of our city, the most important ones, of course, all being at the Port of San Francisco.

- A Taste of Tel-Hi – May 10, 2014 from 6 pm to 9 pm at Joe DiMaggio Playground, 651 Lombard Street

This year's Taste of Tel-Hi event will take place on Saturday, May 10, 2014 from 6-9 p.m. at Joe DiMaggio Playground under an elegant white tent. This is Tel-Hi's annual celebration and fundraiser. Tel-Hi, which stands for the Telegraph Hill Neighborhood Center, is one of the oldest community non-profits. They'll be celebrating their 124th year this year and their 125th year next year. They serve the community in the Telegraph Hill area, primarily children and youth from 18 months to 18 years of age. There will be a live and silent auction. There will be a lot of fun, so we hope people can turn out and support both of these great organizations, the San Francisco Heritage and the Tel-Hi neighborhood group.

- In Memoriam – Robert Billingham, San Francisco Infrastructure Manager, America's Cup Event Authority

Lastly, I would like to memorialize a good friend of the port, a gentleman named Bob Billingham. Bob was here in the fall following the success of the America's Cup event. Bob was a member of the America's Cup Event Authority.

He was the liaison between the authority and the port and the city. He was instrumental in a number of great solutions and, frankly, inventions that made the event possible. One such invention was that he was trying to figure out how to put up temporary structures in Pier 29 and in the cruise ship terminal to create separate areas for the events.

In other part of his life, he was shipping a vessel for someone else and was looking at the, for lack of a better word, the shrink wrapping that vessels are wrapped in when they're shipped and determined that maybe that might make for a good temporary wall. So he had some of the wrapping ordered and he brought the fire department out and fire tested it. Lo and behold, it created not only great walls to separate the facilities into effectively temporary structures or pop-ups, but also, it was made of recycled materials. That was just one of his many creative solutions. In the words of his family, he never met a problem he couldn't solve.

What you may not know about Bob is that he was an Olympic silver medalist from 1988. He sailed with John Kostecki and Will Baylis, both here from the Bay Area. He has then served as a member of the Olympic Sailing Committee. Even through his illness, he was still working on different ways that the Olympic and Paralympic teams can be effective in Rio de Janeiro.

Some of his solutions will be presented when the Olympics debut there in 2016 based on his guidance. Bob served us very well all through the America's Cup very intently. You wouldn't have known that he was ill. He somehow managed to handle his illness with grace and with his usual style.

It never affected his mood or his willingness to participate. He left a tremendous legacy here at the port. We are really saddened that he is no longer with us in life but his legacy lives strong.

In his memory, the St. Francis Yacht Club has dedicated the B Buoy, which sits outside the club, as the Billingham Buoy. They will be celebrating his life on Saturday, May 10, 2014 2:00 to 4:00 p.m.

With your permission, we would like to recommend that we adjourn today's meeting in honor of Robert Billingham.

Daley Dunham, Special Projects group of the port - I would just like to say a little bit more about Bob. I had the good fortune of working with him starting in November of 2011. At the end of 2012, when things really ramped up, I talked to him on the phone once a day at least, maybe three times a day, had lunch with him every Friday for a pretty good stretch in some small part to keep tabs on him because we all know Bob. He was frequently up to something clever on behalf of his organization but mostly just because I loved working with the guy.

The way he faced his illness was nothing short of heroic. This reservoir of ingenuity he had was really amazing. The belly laugh of his too was something that everybody who knew him will miss.

He mentioned frequently that everyone seems to remember his silver medal but he was a crew member on the Dennis Conner boat that won the America's Cup. He was on one of the boats, something that for some strange reason is frequently overlooked.

I thought the neatest this about his experience here was the groundswell of staff who asked him to entertain going for the chief harbor engineer position, which was a real testament to how much everyone who worked with him respected what he did. He asked me about salaries and benefits at one point. So I know he at least considered it for a minute, which is great that he gave some thought to being part of our family here. In conclusion, I'd just like to say to Bob, "fair winds and following seas."

B. Commissioners' Report

- Chambers of Commerce Contracting and Outreach Event – April 15, 2014

Commissioner Katz - We had a terrific meeting last week thanks to the incredible talent of Renee and her staff but also, I want to thank Commissioners Brandon and Adams for bringing this to the forefront. I'd now like to call on Commissioner Brandon to speak about it but want to just take a moment to thank both of you for making this a priority and a reality.

Commissioner Brandon - As President Katz said, a week ago today, we held our first San Francisco Chamber of Commerce Business Exchange. It was a huge success. The purpose of the exchange was to help the commission and staff get a better understanding of how we can do better outreach about the port's leasing and contracting opportunities to LBEs and small businesses.

There were attendees from the African American Chamber, the Hispanic Chamber, the Golden Gate Business Association, which is the LGBT group, the San Francisco Chamber of Commerce and the Small Business Exchange.

We also invited the Asian, Hawaiian and Filipino chambers but unfortunately, they were unable to attend. We had representatives from the contract-monitoring division and the San Francisco Human Services Agency. There was a presentation by the contract management division, and Boris Delepine did an overview of the local business enterprise program.

Zula Jones did an overview of the city's business development initiative. We spent over an hour on that piece. We only had two hours for the exchange, which was a little ambitious because we had such a great agenda. I'm sure there was a lot more we could have learned about those opportunities. Commissioner Katz and I opened the meeting, and Commissioner Adams and I closed the meeting because we could only have two commissioners in the room at any given time.

Besides Commissioner Katz and I and Director Moyer, who did a great job moderating the event, the staff that participated was Elaine Forbes, Susan Reynolds, Byron Rhett, Uday Prasad, Renee Dunn Martin, Tim Leung, Meghan Wallace, Phil Williamson, John Doll, Lavena Holmes and Ricky Tijani.

I want to thank all of them for taking the time that afternoon to join us because their input was very valuable. Susan Reynolds and Tim Leung did a presentation on business opportunities at the Port and spoke about the RFP for the parking lots, Pier 33 and other retail opportunity and construction projects and professional service contracts.

There was a very engaging conversation around all those areas. Once again, I want to thank Susan and Tim for doing such a wonderful presentation. We also had representatives from the San Francisco Giants, Orton Development, TMG Partners and AECOM.

The Warriors and Forest City were invited but I guess we all know now why the Warriors didn't show up. I know Forest City had every intention of being there. Each of the development representatives provided a brief description of their respective projects and stated how they would conduct community participation and outreach going forward.

Byron Rhett, the Port's deputy director of planning and development, suggested that the outreach start earlier in the process before the development teams are formed, probably during the pre-bid phase. Many projects use multiple teams of architects, engineers, contractors. The minority firms should be a part of these teams prior to awarding the project. That was a really great outcome out of the meeting. Overall, it was a very informative and engaging working group.

There was a general discussion by the group about the purpose of the meeting. everyone was asked to be open and honest about their opinions. Jim Lazarus from the San Francisco chamber commented on the disappointment with America's Cup 34 and the unfulfilled promises of jobs and business opportunities.

It was repeatedly stated that minority communities, African American and Hispanic in particular, were not responding to the Port's RFPs because it was a foregone conclusion that the same good old boys would win the contracts. There is a feeling of mistrust with the city's bidding process. It's something that we need to overcome. President Katz, Director Moyer and myself along with Vice President Adams, all committed to working with the chambers and their members to change this perception by providing technical support, mentoring and more opportunities for purchasing under Prop Q.

We were also asked to be more inclusive of the LGBT community. We received a lot of great feedback and ideas to help with establishing clear channels of communication for timely alerts about upcoming business opportunities and how we can better work together.

In our closing remarks, Commissioner Adams, Director Moyer and I reiterated how important it is for the chambers to be involved in the process from the beginning and to attend Port Commission meetings to help support the commission on its effort to assist minority businesses.

I'm glad to see you, Matt Thomas. Thank you for coming. I want to say a special thanks to Renee Dunn, Elaine Forbes, Meghan Wallace and Amy Quesada for putting together such a wonderful event and all the other staff for their participation.

It was a great event. I think it was our second event but our first exchange, being able to just sit down and talk honestly and openly. Hopefully, we can continue to build the trust, come up with better ways to communicate and definitely looking forward to the next one.

Commissioner Katz – Just to clarify that when Commissioner Brandon mentioned Jim Lazarus raising their disappointment over the America's Cup, it was with the America's Cup Event Authority, not with the Port. There was a discussion about how the Port can help if there's future such projects to guide minority businesses and other local businesses to potential opportunities. I wanted to add one comment I heard after the exchange from Zula Jones. She said, "Now, you've got to make sure that every other department in the city does this." This was so incredible and so productive. We couldn't receive enough praise from her.

Commissioner Brandon - And then, she said, if we couldn't do that, we needed to tape it and send it to every other department.

Commissioner Katz - I also want to reiterate the thanks that Commissioner Brandon just extended to all of our staff for making this a reality and something productive and useful for so many of us. It went a long way in terms of starting to expand to opportunities for the businesses here in the city. Thank you.

Commissioner Brandon - I want to thank the development teams for coming and for engaging with everyone there and thinking about new ways to work with various community groups. Thank you so much.

Commissioner Adams - I'd like to follow up on my fellow commissioners' comments. I came to the meeting late. One of the issues that was mentioned was trust. But one thing that I believe about trust, it goes two ways. I've said this before, and I'm glad Matthew is here, that you can't sit on the sideline and throw stones and not come to the dance. You've got to come to the dance. You've got to come to the meetings. You've got to hit the mic. I'm a union guy. I run an organization that's a bottom-up organization. It's a rank-and-file.

This Port Commission, like a lot of people that are on commissions, people can come, and you have a right to criticize. I've always believe in fair sense of play. I believe that. I know that the African American chamber and Hispanic feel, and sometimes, I'm sure that people do show favoritism. That happens but I'll also say this, in life, nobody is going to give you anything.

You've got to go for it. You've got to take it. You've got to have your A game. Unfortunately, I've hired people in my life, I'm sure we all have. Some people interview well. Some people don't. Sometimes, you only get one chance to make a good impression. Sometimes, people come with a resume, or they turn something in. It's not that good. When you do something, you've got to

be all in, and you've got to have your A game. So I challenge all the chambers to come forward because I believe, as commissioners, the five of us, everyone in this city -- we represent everyone in this city whether you're homeless or whether you're a billionaire.

That's our job as commissioners that it's an equal playing field but you've got to get out there. Sometimes, people just aren't going to hand you things. You've got to fight. You've got to make connections. More than anything in life, you've got to make alliances.

I remember something that Senator Ted Kennedy told me 10 years ago because he was a really big advocate for our union and very close to our union. He said, "Willie, you know, a lot of people come to D.C." He said, "They serve term after term. They never get anything done. People never want me to be president. But one thing that I do, as a senator, I build alliances. I'm effective. I can work across the aisle. I have built alliances."

That's very important to be able to do that. You could take the negative role and say, somebody doesn't give us a break but sometimes, you've got to figure out a road block, how you get around it, be effective, get in the game and build alliances with people that have the experience or talk to people.

I always watch people that are successful, and I watch what they do. I learn what they do because it helps me. You don't watch people that are failures. You watch people that know what they're doing, who are effective in how to get things done.

I appreciate you coming. I'm hoping, as a commission, that we will continue in this road. One thing that I want to see is I want people that are qualified. I don't care what color they are. I want them qualified. I want the best.

We have an obligation as commissioners to make sure every citizen in this city has a fair and equitable chance to get some of these contracts and participate. Thank you.

Commissioner Murphy - Thank you to the three commissioners and whoever was involved with the meeting with the chamber. Great work. I don't have any report. I was out of town for two weeks. I'm sure nobody wants to hear about Augusta, Georgia or the Masters.

10. CONSENT

- A. Request approval to apply for, accept and expend one million dollars (\$1,000,000) Congestion Mitigation and Air Quality Improvement (CMAQ) funding from the Metropolitan Transportation Commission (MTC) and California Coastal Conservancy through the Priority Conservation Area (PCA) grant program for pedestrian and bicycle improvements within the Pier 70 Crane Cove

Park project area and committing any necessary matching funds. (Resolution No. 14-22)

ACTION: Commissioner Woo Ho moved approval; Commissioner Murphy seconded the motion. All of the Commissioners were in favor. Resolution No. 14-22 was adopted.

11. FINANCE AND ADMINISTRATION

A. Informational presentation on the Port's Report on Contracting Activity for the first two quarters of FY 2013-14 (July 1, 2013 through Dec 31, 2013).

Meghan Wallace, Port's budget manager - I'm going to present the contracts update report. This report is for the first two quarters of the fiscal year, July through December 2013.

First, I'm going to touch upon the executive director's use of delegated authority and then go into the contract activity so far in this fiscal year as well as discuss the local business enterprise activity including new contracts, payments made, our effectiveness with the local-hire program and then talk about highlights and opportunities for improving our local enterprise utilization.

The delegated authority has been granted to the executive director to help streamline the process. It's consistent with how other departments manage the contracts process in giving a certain level of approval to the executive director rather than having to bring everything to the Port Commission.

As you can see, there's up to \$500,000 authority for contract service orders. So those are individual projects within larger contract amounts that have already been approved by the Port Commission, \$400,000 for public works contracts.

This is approval of new contracts that are \$400,000 or less and then, up to \$100,000 for professional services contracts. So far this fiscal year, the executive director has approved \$1.4 million of contract service orders, all of which were \$200,000 or less, and about half-a-million dollars of new contracts, which includes three professional services contracts and one public works contracts.

Through Administrative Code 14b, the local business enterprise program was established. It's intended to expand contracting opportunities for small businesses in the city. LBE prime contracts, the main contractors applying for contracts, may be given bid discounts for being local enterprises.

In addition to that additional benefit, the contracts monitoring division sets subcontracting goals for approved contracts so by the end of the contract, that subcontracting goal must be met. In addition to that, Port staff is starting to monitor overall local business enterprise contracts. In addition to watching our

subcontract use, I'm going to be reporting on how much money is actually going to prime contractors as well.

The Contract Monitoring Department is really looking at, over the life of the contract, how are we meeting subcontracting goals. I want to engage in a conversation with you that includes the amount of money going to the primes.

For the newly awarded contracts, there are five newly awarded contracts totaling \$1.18 million. One of these was large enough and fell within the requirements of 14b of the Admin Code. There was a subcontracting goal of 8 percent set for that particular contract.

You can see at the top of the table it's Cal State Constructors. It was a contract of almost \$700,000. In addition to that, there were four contracts that aren't bound by the LBE ordinance because they were too small.

In the case of JDB Construction, it was less than \$400,000, which is the requirement for construction contracts. For professional services, all of those contracts are below \$50,000 and therefore weren't required to comply with 14b of the Admin Code.

However, it's important to note that, of these five new contracts, three actually are LBEs themselves. I should note that David Perry and Associates is currently in the process of trying to become LBE certified.

That seems like a pretty good success there that four out of our five contracts could potentially be LBEs. The information you're probably most interested in is how we are doing on our contracts so far this fiscal year.

I found that of the approximately \$8.6 million that we have actually paid to contracts, only about 14 percent of it has gone to LBE contractors. That's below the Port Commission's general goal of 20 percent. Additionally, for contracts that are compliant with 14b, \$7.75 million has been paid overall of which 15 percent has gone to LBE subcontractors.

As you can see from the table there is an average CMD goal of 20 percent. I want to emphasize average because I'm trying to provide some general information for you. Each of these categories is comprised of many contracts, each with their own individual goals. This is a way for you to see, on average, what those goals come to. You can see that we're performing lower than what our goals really are overall but it's important to note that this is just for two quarters of the fiscal year. We need to consider the overall life of these contracts. In green, I've highlighted that all three of these categories are performing above the Port Commission 20 percent goal and above the CMD average goals for each of those categories.

All in all, even though the numbers for the first half of the fiscal year seem low, we're looking pretty good on these contracts. There are a few contracts that

we're monitoring closely. We either know that there's not a way to improve them, for example, our dredging contract is really set to the amount of hazardous waste that we pull from our dredging materials and need to get it off site. We don't have a lot of environmentally contaminated soils that we're removing. So we're having a positive environmental payoff in exchange for not meeting our goal. As far as improving our outlook, I think the message here in addition to compliance reporting, like I'm doing here today and having everybody just look at the numbers and be aware of where we are is thinking about capacity building.

The business exchange that we had recently with the local chambers is a great way of getting information and understanding where there are gaps in our communication and in enterprises' abilities to participate in our contracts as well as understanding what our current representation is.

I've tried to provide a snapshot of what groups are being represented by our current contracts. I didn't go into a lot of detail but I would love to get any feedback so that I could provide the information after the meeting or try to answer here to help get into the weeds a little bit more about this if you'd like.

All in all, you can see that we have approximately 106 LBEs currently represented in all of our contracts of which approximately 21 are minority owned, 46 are women owned. Unfortunately, we don't have a lot of data currently about the LGBT community. CMD has informed me that enterprises now have the option to report on that information. I assume that information will only improve over time.

I also wanted to touch upon other opportunities that we're offering at the Port. You may recall the EcoCenter. We recently had a lease and a new opportunity for local organizations that were competing for management of the EcoCenter.

Real Estate is going to be touching upon the Pier 33 lease opportunity. I want to highlight those as outside of my typical reporting but definitely worth everybody keeping an eye on.

Finally, the local hire program. I want to highlight that the Port had 10 projects that are required to meet certain percentages. It's 25 percent of local hiring or 25 percent of apprenticeships for these projects.

This table shows that, in a lot of cases, the actual percentages are below those requirements. It's because those contractors received exemptions because they provide special services, that it was just difficult to get local hires for those particular jobs.

All in all, OEWD is reporting that we're on track for meeting our goals for those projects.

Commissioner Murphy - That was a pretty good summary. Thank you very much. I don't have any questions.

Commissioner Woo Ho - Thank you for the report. We obviously heard a great commission report in terms of our outreach to the local chambers. So that strikes me as being sort of going vertically by the different segments in the community. I'm wondering, since there are industry organizations that I would guess are horizontal, meaning on the professional services as well as contracts, and whether we've reached out to any of the industry chapters to also do something similar to explain that we are looking for LBEs and to go across the industry groupings, which are very specific to the kind of work that we do here at the Port and to look at the outreach not only vertically by different groups but also horizontally as some of these trade associations also may give us an opportunity that they could. Because these people are probably a member of some trade association that we could go to and make a presentation or invite them to Port, similar to what we did with the chambers of commerce.

Commissioner Brandon - That's a great idea. Thank you so much for a great report. I want to thank you for reporting on the primes also. Congratulations on the 94 percent of the new contracts. That's wonderful. It just shows that we're trying to move in the right direction. I really appreciate that. I wanted to go back to that efforts-to-improve page. We had 106 contracts, but we reported 67; what does "others" represent?

Meghan Wallace - I ran out of space but I kind of assumed somebody would ask that question. The "others" cover a wide range, anyone not meeting the minority, women or male owned businesses categories.

Commissioner Katz - I also want to thank you. It was very complete, as was the information we received beforehand. I want to thank you for these efforts. I know it takes a lot of work to compile this information but it's very much appreciated. I think that's what helps us figure out where we can see ways we can all do a better job reaching out to our community or applauding the successes that we've had in that.

12. MARITIME

- A. Request approval of the Use of Track Agreement with Union Pacific Railroad Company ("UP") granting Port the right to use the Quint Street Lead track jointly owned by UP and Burlington Northern Santa Fe Railway Company ("BNSF") for the purpose of reconstructing the track with grant funds provided to the Port by the Federal Railroad Administration. (This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code.) (Resolution No. 14-23)

Steven Reel, project manager for the Quint Street Lead project from the Engineering Division, standing in today for Jim Maloney. Jim is the maritime sponsor of this project who took the lead role in negotiating this agreement. The item before you today is an agreement with Union Pacific Railroad granting the Port the right to use the Quint Street Lead track for purposes of reconstructing

the track using Federal Railroad Administration's (FRA) grant funds. Staff recommends approving this agreement.

As background, the Quint Street Lead is a 9/10ths of a mile long freight rail spur, or lead track, providing direct freight rail service to the Port's maritime Piers 80, 92, 94 and 96. It's the only rail connection to the Port exiting the main line just north of Oakdale Avenue and winding its way through city streets before crossing Third Street just north of Islais Creek entering the Port property.

The lead is jointly owned by Burlington Northern Santa Fe Railway Company (BNSF) and Union Pacific Railroad (UP). UP is the sole operating railroad. There is an urgent need to upgrade the track to increase the reliability and efficiency of rail service to the Port and provide capability for six-axle locomotives to enter the Port.

The Port applied for an FRA rail line and relocation grant in October of 2010. We were notified of a \$3 million award in September of 2011. The grant requires a 10 percent match making this a minimum \$3.3 million project.

During 2012 and 2013, Port staff completed preliminary engineering and worked with the FRA to develop a project scope that fits the budget and meets the intent of the grant award. Port staff applied for and received CEQA negative declaration from the city planning department in April of 2013.

In October of 2013, we were here before the commission where you authorized us to accept and expend the grant funds. It's been a while. The holdup has been with the NEPA process. I'm happy to report we have finally achieved compliance with NEPA.

The FRA granted us a categorical exclusion a few weeks ago. This was a 16-month-long process, by far the longest component of this project. Finally, with NEPA cleared, the FRA did provide us with a complete grant agreement last week.

Port staff requests Port Commission authorization to enter into the track-use agreement with UPRR and BNSF to allow the port to carry out the track improvements. Grant funds necessitate that the Port perform as the lead agency to design and construct the improvements in compliance with the rules of the grant.

To that end, staff have negotiated this agreement, which includes the following key terms. It provides the Port access and use of the railroad-owned track for purposes of reconstruction. The proposed agreement does not modify the basic terms and conditions of the existing city permits and franchise agreements, which date back to 1900s.

The use is phased or segmented in which we will take a segment of the track and execute the work. UPRR will inspect it and then, it gets returned or accepted

back by UPRR. This is important because we're going to be working on various segments of the track at a time.

We do not want to take on the liability and risk of being responsible for the entire lead, just the portion we are working on. Continued usage by the railroad within limited work windows. No fees are associated with use of the track.

The term is through December 31, 2015. The Port is responsible for maintenance of the track segment under construction. I wanted to remind the commission today that the Port's action today constitutes the CEQA-approved action subject to a 30-day appeal period. That's separate from the agreement.

Provided the commission approves, staff will execute the Use of Track Agreement. We expect to enter into the grant agreement next month subject to Board of Supervisors' action to accept and expend the grant funds.

In June, we will commence final engineering using a consultant selected from our current as-needed engineering contracts. We've researched the grant procurement requirements and are confident that this approach is compliant.

We'll return to the commission in December for authorization to advertise for construction bids and then again in April of 2015 for authorization to award the construction contract. Construction should start toward the summer of 2015 and wrap up by the end of the year.

Commissioner Katz - It was a very complete presentation, thank you. Congratulations for getting the grant in the first place. I know that was quite an undertaking.

Steven Reel – Thank you. Daley Dunham played the major role with that one.

ACTION: Commissioner Brandon moved approval; Commissioner Murphy seconded the motion. All of the Commissioners were in favor. Resolution No. 14-23 was adopted.

13. REAL ESTATE

- A. Request approval to issue a Request for Proposals (RFP) for a retail space located at Pier 33 North (33½) on the Embarcadero at the foot of Bay Street to San Francisco small businesses currently working with San Francisco community-based organizations. (Resolution No. 14-24)

Susan Reynolds, Deputy Director of Real Estate - I'm back before you to request your approval to issue an RFP for the retail space located at Pier 33 North, or as we call it Pier 33½. I was before you in February to give you a little bit of background on this project. Since that time I have conducted more outreach and expanded the pool of agencies that can help us achieve this opportunity to provide access to basically a turnkey operation for our local small businesses.

Regina Dick-Endrizzi, the executive director of the Small Business Commission, is in the audience. We are going to also use their resources to do some of our outreach and this is not an exhaustive list. We're hoping that this list grows and grows and that, with the partnership with our community-based organizations, we will find local small businesses that can partner together to make this a great opportunity site to provide goods and services to the visitors of San Francisco, the neighborhood residents and the people that work in our neighborhoods.

I did define the small business definition to focus on our smaller businesses in our communities, our San Francisco-based businesses. With the Commission's approval of this RFP, we will issue the RFP, hold an open house for anyone that wants to come and visit and see what the opportunity looks like.

We're going to take our time. I'm working on putting together a community selection review panel that is comprised of representatives from every quadrant of our LBE community and CBO community that are business owners and business consultants that can make sure that whoever takes this space is going to be successful.

It's going to work for all of us. I will be back before you once we have received and reviewed the proposals. We will come back with a recommendation for your approval.

Regina Dick-Endrizzi - I'm happy to be here this afternoon to give our support for the great work that Susan has done with this space and the concept that she's developed and the RFP that's going out and wanted to let you know that our office is going to lend its support in working with Susan to help identify businesses, conducting the outreach.

We will also coordinate with the Invest in Neighborhoods team out of the Office of Economic and Workforce Development to help pull together a unique selection and interesting and vibrant selection of businesses to be able to take advantage of this great opportunity to be here on the space on the Embarcadero.

I also wanted to say congratulations on the great work that that Port is doing with all its LBE outreach. I look forward to bringing that information back out to the commission. I look forward to your support for this RFP.

Commissioner Katz - Thanks for your help.

Mark Bailey - Thank you so much to the Port staff for putting this proposal together. We think it's going to be a great location for small businesses. It's a great opportunity. They're just amazing spaces. The one thing I would hope the commission would consider is changing the LBE requirements. Right now, it's currently set at three years. Perhaps, they could come in and do six months to 12 months. That's what the city requires. I'm hoping we could bring that together.

Matthew Thomas, Vice President of the San Francisco African American Chamber of Commerce - Let me begin by thanking the commissioners and Director Moyer and her staff for being committed to creating a level playing field here at the Port. We realize this is not a one-way street. We're going to do our part to help make your diversity program as effective and relevant as possible. I'm here to request your approval for the RFP that's being discussed. I've been trying to find out the last time an African American business has been located on the pier. I've gotten various dates. You guys may know better than me but it's been awhile. This RFP does create a rare opportunity for our businesses to get into a great location.

As you probably know, this particular space has enough room for four businesses to be based out of. We've actually identified four great candidates that could be in this space. We would appreciate your positive vote to make this RFP a reality.

Commissioner Brandon - Susan, I want to thank you for coming up with this opportunity. It sounds like a wonderful opportunity. It sounds like there's going to be a lot of interest. So congratulations, and good luck.

Commissioner Woo Ho - I think we've discussed this a couple times already. It seems like today is LBE day, which is fine, which is great. Sometimes, we have a theme to our commission meetings. This is just bringing to reality some of the vision and the goals that we've been setting as a commission to execute against. I appreciate the public also coming and noting that and hope that this will be a successful venture. Hopefully the outreach will bring in as many qualified respondents, and I look forward to hearing what the results are.

Commissioner Murphy - Thanks, Susan, for pulling this together.

Commissioner Adams - Susan, I appreciate the due diligence and the Small Business Commission coming out and all the partners. I hope this is a blueprint as we move forward as the Port tries to diversify. As you know, we're in the business of providing a service to the community. I appreciate all those that put in. I appreciate you for coming from the chamber, Mr. Thomas. We appreciate that you realize it's not a one-way street. The Port is your friend. We're not the enemy, the commissioners. We are here. We provide service to the community. That's all we do. We are ideal people, and we have a commitment for equal playing field. We appreciate everyone coming out.

Commissioner Katz - I also want to express my thanks to Susan. I know this was really a creative approach and very much your project. I think it's demonstrating again the Port's commitment to our community, to small businesses. One of the other things I hope that people see from this is the Port really represents a lot of different opportunities all across the waterfront. That's something we're trying to make more and more people aware of how really diverse the operations and the activities are here along the waterfront.

This goes a long way to showing that we will be getting a nice mix of local businesses and made in SF, not just here at the ferry building but at other sites. I want to thank you but, in particular, really for the outreach and the idea of figuring out a way to bring more entities into the Port.

I also want to thank the Small Business Commission for their support on this. Kudos to you and I appreciate your efforts.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 14-24 was adopted.

- B. Request approval of an option to extend the term for Five (5) Years for Lease No. L-14705, as amended, for a Construction Materials Recycling Center at Seawall Lot 352 at Amador Street, between the Port and Recology San Francisco, Inc. (formerly, Sustainable Crushing Ventures, LLC). (Resolution No. 14-25)

Ruben Solis, property manager for the southern waterfront in the Port's real estate division - this item concerns granting approval of an option to Recology San Francisco to extend the term of a lease for Recology's construction to be a recycling center at seawall lot 352, which is located in the Piers 94-96 backlands area. If the option is approved, the term of the lease would be extended for five years from August 1, 2014 through July 2019. To give you a little bit of background, Recology has been a Port tenant at Pier 96 since 1998 where they operate a recycling center.

They've operated at seawall lot 352 since 2009. The company is a local, unionized, employee-owned business that provides waste collection and processing throughout the city and has an excellent track record of recycling as San Francisco has one of the highest landfill diversion rates of any major U.S. city.

Recology is a tenant in good standing. The terms of the lease provided for an initial term of five years and give the tenant the opportunity to exercise an option to extend the lease for an additional five years. Recology has notified the Port that it wishes to exercise that option. But the option is conditional in that the Port Commission must approve it. The leased area consists of approximately 6.75 acres of undeveloped land and a buffer area of approximately 4.26 acres.

In addition, the lease contains the southern waterfront beautification provisions. As a result, the southern waterfront beautification fund will continue to receive about \$70,000 per year during the extended term.

Port staff is proposing a rental rate of 18 cents per square foot per month in the first year and increasing it to 19 cents per square foot per month in the second year. During the extended term, the Port can expect to receive \$1,305,000 in rent over the next two years.

In the beginning of the third year in August 2016, there would be a market-rate reset. Then, the rent would increase 3 percent per year in each of the last two years over that rate. Approving the option to extend the term of Recology's lease will provide the Port time to explore other opportunities and develop plans to improve the site. Staff recommends approval of the lease-extension option. Both Recology and Port staff are present to respond to any comments that you may have today.

Commissioner Brandon - Has this item been before the SWAC?

Ruben Solis - It had been presented to SWAC previously three times. There were some landscape and stormwater improvements that were made. Those were also presented to the SWAC. This wasn't done for this particular item. It was done previously.

Commissioner Brandon – Right, but has the option for renewal been before the SWAC?

Ruben Solis – No, but they were aware of it because they knew the lease could go for 10 years originally.

Commissioner Brandon - So they were aware of it five years ago?

Ruben Solis - Yes, when the lease was executed.

Commissioner Brandon - I love Recology, and I think they're great corporate neighbors but I think that this is something that needs to go before the SWAC just to make sure that there are no concerns or outstanding issues.

Ruben Solis - Dave Beaupre did make them aware of it at some point.

Commissioner Brandon - Were there any comments?

Ruben Solis – No, Dave told me that they were generally supportive of the improvements.

Commissioner Brandon - I'm asking about this item, and that's the option to extend and if it's been brought before the Southern Waterfront Advisory Committee and if there any comments or discussion on it.

Ruben Solis - Not that I'm aware of.

Commissioner Katz – Brad, do you have additional information?

Brad Benson, Special Projects - It's correct that the lease extension didn't go to SWAC. I do know that SWAC is very aware of the operation. At the staff level, we thought, because they approved the lease that included the extension option

initially, that there was maybe not that need but if the commission's direction is to go back to SWAC, we'd be happy at the staff level to bring it back and report to you at a later meeting.

Commissioner Katz - It seems like it's an extension of a lease term, not a new term.

Commissioner Brandon - Right, which is why it's before the commission.

Monique Moyer - We don't normally bring execution of options before the commission. This was a unique case because you know well, Commissioner Brandon, that Recology took over for a previous tenant that had created a pile that was not being resolved. At that point in time when the commission gave approval for the lease, you wanted the option to come back just to make sure that there were no issues going on. This is a very unusual set of circumstances. We, frankly, don't have a protocol for going to community advisory commissions on options because we don't normally come back to the commission on an option. I'm not saying we wouldn't do it.

Commissioner Brandon - Right, but I think the reason we requested that it come back to the commission is to make sure that everything is okay.

Monique Moyer - It's our belief it is, or we think the SWAC would be very vocal if it weren't but if you prefer to have that formalized, then we can delay.

Commissioner Brandon - Like I said, I like Recology. I think they're great corporate neighbors. I'm hoping that everything is okay. But in the future, I would hope that anything happening in the southern waterfront of this nature would be brought before the Southern Waterfront Advisory Committee because that's the reason that they're there.

Monique Moyer - I think what Ruben was trying to report on is, in the community advisory committees, we do report upcoming events and things coming to the commission. That's different from having a stand-alone item with a presentation like today. Unfortunately, David Beaupre is out today. I think what happened is it was part of our informational reporting as opposed to an actual agenda item. It's my understanding that, at that meeting, we didn't have any sense of alarm or calls to have it actioned separately.

Brad Benson - I can't speak to the meeting because I wasn't at the meeting. But Commissioner, to your point about the staff's view about the operation, I just want to echo what Ruben was saying. They're a very high environmental performer at the site. They've got great dust control protocols. They've really done a good job with stormwater management around the site. We can give you a high vote of confidence on the environmental performance side.

Commissioner Brandon - I appreciate that. Thank you.

Commissioner Woo Ho – So could we move on the basis that we approve this but before the final lease is executed, that there is another informational item at a SWAC meeting and to say that the Port Commission has approved the extension. If there's any comment before the lease extension is executed, we recognize anything that does get raised -- it may not even be an issue of the lease term. It just may be some comment.

Commissioner Katz - Thank you, Commissioner. That's a great idea.

Ruben Solis - That's fine. The lease is actually executed. So this is just extending the term though..

Commissioner Woo Ho - In terms of the approval of the Port Commission, we're saying we just wanted to have them to be aware of it, that we approved it and if there was any public comment.

Brad Benson - Could I make the friendly suggestion that maybe your authorization of the extension is conditioned upon staff going back to SWAC and just making clear that this is the intended action.

Monique Moyer - So the extension option has a commencement date of August 1, 2014 which gives us time to go back and report to SWAC and make sure there are no outstanding issues.

Commissioner Katz - Is there a motion to condition our approval contingent upon staff going to SWAC and not having any major issues to come back?

Commissioner Adams - Yes. I make that motion that they come back.

Commissioner Woo Ho - Second.

Commissioner Katz – I appreciate the project and Recology's efforts. It's really part of San Francisco's efforts to attain zero waste and this is a critical component. I'm pleased that the Port is helping in those efforts.

Monique Moyer - If I could have one little liberty, Maurice Quillen is here with other members of Recology and his colleague, John Legnitto, is not well. I'd just like to send our best wishes to John and his family and the entire Recology family. We're pulling for him in every way possible.

Commissioner Katz - Absolutely. Please express our best wishes to John and his family, and we're thinking of him.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 14-25 was adopted.

ACTION: Commissioner Adams moved approval as amended, with a stipulation that this item is brought to the SWAC committee for review; Commissioner Woo Ho seconded the motion.

14. PLANNING AND DEVELOPMENT

- A. Informational presentation on Orton Development Inc.'s proposed project for the lease and rehabilitation of the six 20th Street Historic Buildings on or near 20th and Illinois Streets at Pier 70.

Phil Williamson, the Port's project manager for the Orton Development project at Pier 70 - I am new to the project. I recently assumed this position upon Kathleen Diohep's succession to another position outside the Port. I'm glad to be part of this project. It's an exciting project, and I'm happy to be here today to present what amounts to an update, an informational presentation. I want to give you a quick overview of what I hope to accomplish today with the help of the Orton team as well.

You'll see some project updates that I will present, a range of topics from CEQA, public trust analysis down through project benefits to the Port. Then, I'd like to take the time to introduce members of the Orton Development team who are here today to present an update on community outreach, local contracting, hiring, building rehab, mix of uses and benefits to the city as a whole. Then, we can sum up with next steps that you might expect to see over the next few months.

Many of you are familiar with the project already, as is potentially much of the audience today. This is the site, Pier 70's historic core, building 101 on the left corner at Illinois and 20th. As you can see the rest of the buildings spread throughout the site, six historic buildings in all will be rehabilitated and made fit for reuse.

The uses that you will see once this project is complete include office buildings returning to their former office uses including in building 101, the former Bethlehem headquarters building 104, the Power House between 101 and 104 becoming a restaurant or other commercial use, industrial uses throughout the site and the larger warehouse buildings to include light industrial, arts, recreation, other recreation uses.

Significantly, this project adds public access to the site, new public access in the atrium of building 113, which is the central piece of building 113 from 20th Street and that atrium extending through building 113 to a public plaza space beyond.

The project impacts were fully addressed in the eastern neighborhoods final environmental impact report, the FEIR. As such, the project is exempt from environmental review. Rather, the project qualifies for community plan exemption, which identifies mitigation and improvement measures to avoid significant impacts from the project.

This CEQA is now under final review by the San Francisco Planning Department. We're anticipating a completed document in the next several weeks. With regard to public trust, many are aware that there was legislation passed some years ago with the help of Mr. Tom Ammiano, AB418, that allows the site to harbor non-trust uses to facilitate the rehabilitation of these structures that need a lot of help. We'll get into some of the other help that the project has attracted from a financing perspective.

AB418 was very important to open up the uses we could employ to generate revenues. AB418 does require ample public access as one of the public benefits. As you'll see later, there is a significant new public access component here that the Port, the developer and the community are very excited to see occur.

We are currently discussing the project in great detail with State Lands staff, awaiting some final input and approvals on the land use and public-access use for the project. Then, ultimately, when we come back to the Port Commission for approval, you will be asked to approve those findings.

To summarize the financial terms of the project, the developer, Orton Development, would invest up to \$14 million of their equity. The Port also contributes equity in this project, \$1.5 million of Port capital funds and another \$250,000 in Port-secured grant funding.

The deal is set up such that net revenues after debt service repay ODI's equity at a rate of return at 14 percent. Once the equity has been repaid, there is a 50/50 sharing mechanism in the agreement between the Port and the developer.

It's important to note the Port does participate in the refinancing opportunities that would occur over the life of the lease and the sale proceeds. The Port receives a minimum rent beginning year 20 even if the equity has not been fully repaid yet. That minimum rent is also subject to regular adjustments according to the index-based adjustments. Overall, the project is an approximately \$74 million project. To cobble together that amount of funding has been a challenge for the team.

We have listed here the sources that make this a viable project and a feasible project including the Port's capital contribution with the smaller grant piece totaling \$1.75 million, a seismic loan that is a good chunk of the funding for this project and has been a game saver to make this project viable.

Given the age of the buildings and the area's recent nomination listing as a nationally listed location with the National Parks Service. Kudos to Port staff for that accomplishment we just found out about this week. The site is eligible for historic tax credits, which amount to \$15 million and then, private debt and equity of up to \$38 million. Obviously, hard costs to rehabilitate these buildings are significant, quite a bit of soft costs to design and come up with a plan that is

acceptable from a seismic perspective and meeting the secretary of the interior standards.

Financing costs and deferred Port transaction costs round out the list. As just mentioned, the seismic safety loan, this is a voter-approved general-obligation bond dating back to 1992. It is intended to provide funding to shore up and repair and reinforce masonry buildings, which, after the Loma Prieta earthquake, were identified as a significant risk to the public.

These funds in this case will be used specifically on buildings 113 and building 104, the two unreinforced masonry buildings in this project. The beauty, if you will, of the seismic safety loan program is that it provides a lower cost of financing as opposed to the equity costs of financing through the developer's investment. It does not impact the general fund and is secured by the leasehold. In some ways, the money is sitting there waiting to be used. This project is tapping into that.

Outside the project limits, there are some improvements needed to make the approaches to the project safe. This includes new sidewalks, new lighting, and accessible ramps to bring the public to the site.

These costs are anticipated to be in the \$1.5 to \$2 million range and would be a Port responsibility. We are looking and working with the city and with the board to create an infrastructure-financing district that takes the tax increment from this site which today is zero so the tax increment going forward to pay back the Port for these investments.

We are currently working on transaction documents with the developer and making great progress. There are two primary transaction documents. The first is the lease disposition and development agreement also known as the LDDA. This is a document that's central and very important to this process. It delineates the requirements to rehabilitate the site. It denotes that the site is conveyed as is. Insurance requirements are detailed. It spells out the fee for terminating early without completing the project.

Most importantly, the LDDA has exhibits attached to it that serve to guide the Port and the developer team forward including a scope of development, a schedule of performance which puts milestones for all of us to attain, schematic drawings which will give the commissioners an idea of what this will look like when it's complete and a development budget that we will adhere to make sure we don't get too far afield.

In addition to the LDDA, the other primary document is the lease. The term of the lease is 66 years. The uses are office and light industrial primarily, some restaurants, a little bit of retail as well. The public-access requirements will also delineate the rules that govern that public access. It describes the rent and describes the participation mechanisms amongst many other provisions.

This project will rehabilitate and reuse six historic structures that have been vacant for many years and in some cases, with regard to building 113 and building 104, in danger of collapse and present a real hazard at this moment in time. It will create new public spaces through the rehabilitation and the reuse of these buildings, eliminating and removing from our Port's capital plan up to \$115 million of unfunded costs. In their improved condition, fully tenanted creating \$50 to \$60 million of new assessed value that can be bonded against to provide IFD funding down the road. It will improve the Port's cash flow immediately by removing maintenance responsibilities and liability in the long term through the cash flows identified in the lease.

At this point, I'd like to introduce from the developer, Mr. James Madsen. Also in attendance today are Mr. Eddie Orton, Mr. Johnson and Mr. Mora from ODI..

James Madsen - We're very happy to be here and want to thank Phil for the introduction and for all of the work he's taken on in Kathleen's absence and all of staff's time and effort over the last two years to get to this point.

We're very excited to be on the one-yard line and to start work soon. The project, as Phil mentioned, is a mix of uses. The uses fall within the Port's master plan and the extensive land-use planning that preceded us by a number of years.

It's a mix of office space, restaurant space, light industrial space and public space. Right now, the site is dark. It's dangerous at night. It does not feel comfortable. It's essentially cut off from the community. While people will go down and either hop the fence or take photos during the weekends, it's really not accessible to the public right now.

Our goal when we're done is that this is an incredibly vibrant, very frequented area that feels like it was always a part of San Francisco and always a part of the Dogpatch community. This is a very difficult, very expensive, very fragile project.

There are a lot of major problems with the buildings. In fact, the buildings in their current condition, uninsurable. We intend to come in and address the most serious problems as soon as possible. As soon as the transaction documents are approved, our goal is to start addressing the most glaring problems. As Phil mentioned, these are currently about \$115 million capital liability on the Port's budget. The buildings are red tagged. A number of them are vandalized. They're stripped of most of their copper and require all new infrastructure. So that's the bad news but the good news is it's what we do. We've had the last two years to get extremely familiar with the buildings.

We think that we've gotten a chance to get our hands dirty and have a good sense of what it's going to take to turn the buildings around. We're very excited to partner with the Port to bring in the capital to start turning these buildings around.

These are a couple of pictures of what the buildings look like on the inside right now. There's major weatherization problems. This is building 101. It's the office building on the corner. This is a picture of the bricks in building 113, which is considered probably the most important historic structure at the site.

There are major problems with both the brick and with the mortar and is considered in danger of imminent collapse and will be the first building that we work on stabilizing. This is a picture of building 115-116, which shows the ongoing degradation even day to day. You lose windows every day.

A lot of people have asked us if this project is historic, and it is. As Phil mentioned, historic tax credits are a major part of our capital stack. We will certainly meet the standards of the State Historic Preservation Office and the National Parks Service.

The picture in this slide is of the Ford Assembly Building, which had the same requirements and worked with the same groups. In addition to SHPO and NPS, we also are working with a preservation architect on our team, the Port's preservation architect, Mark Paez, preservation architects on the planning department side.

The Port and planning have already approved the historic resource evaluations for this project. We've presented to the Historic Preservation Commission. We've also presented three times to San Francisco Heritage.

We've also done extensive community outreach over the last two years. We embarked on what we dubbed the great listening tour two years ago with a number of ideas for what the project could become. We talked to about 150 different members of the community and people who had been involved with this project for much longer than we had. We dropped a number of ideas that seemed to be unpopular and feel that there's a very good consensus right now among the community for what the project has become and for the uses that we're proposing. The feedback we are now getting on a consistent basis is to please stop talking, to please start doing something. So we're trying to get there. We should be on the cusp.

One challenge we have right now is that it's very hard to do any leasing without the transaction documents in place because tenants feel that there's a significant amount of regulatory uncertainty until we actually have our deal in place. Hopefully, this summer, when the deal is in place, we'll be able to really reassure the market that, at this point, all that's left is the construction execution but we have talked to a lot of tenants.

In terms of mix of uses, our goal is to build a community. At every project we do, the community is really an evolving community. Some of the considerations we have at this project are the types of uses. We have large industrial uses. We have office uses. We have restaurant uses. We have small maker-type uses.

We've tried to accommodate all of those together. We have a combination of public space and private space.

There's a major balancing act between things like loading and public areas. But it's stuff that we've been extremely focused on that the transaction documents cover and that the community and the Port has been very involved in and that we continue to talk about.

Following are just a few examples of the kinds of uses we have put into other projects, which may be indicative of the kinds of uses we would see at Pier 70. In terms of industrial, which is many of the buildings on the south side, this is a picture of a project called Flint Ink in Berkeley that we did in 2009 and 2010. This is what it looked like when we acquired it. It had a lot of the same problems. This is what it looks like today. This particular tenant is a tenant called Donkey and Goat. They're a winery. This is a picture of the interior of their space.

This is one type of industrial use that might come to Pier 70. One aspect of the way they operate, which also seems like something we'd see for most of our industrial tenants, is that, while this is an industrial tenant that makes wine, they also have their office in the space. They also have a tasting room in the space. They also do some minor retail in the space. They also have events and happenings for the community in the space. They've done a wonderful job. They have a barbeque pit. They have a bocce ball court. They have picnic tables that all the tenants share and the community shares. They are an industrial tenant but they have a number of ancillary uses, which have really activated the space. We expect many of the buildings south of 20th Street to have a variety of uses even if their predominant character is industrial.

With respect to office at Pier 70, there are two buildings that almost certainly will become office because they historically were office, building 101 and building 104. This is a picture of what Ford Point looked like prior to renovation. This is what SunPower's offices look like today. What we're seeing in the market is a lot of creative office-type uses, a lot of non-profit-type uses and a lot of tech-type uses are drawn to the historic nature of the buildings.

We are talking to all of those groups actively, though no one has committed yet, again waiting to see the project get to the stage where the transaction documents are approved. A third type of use that we have worked very hard to create space for at Pier 70 are small maker-type uses.

One of the challenges we have is that, right now, the spaces are huge. We have a lot of historic constraints about cutting them up. We've looked to find as many small existing structures as possible and are also looking at some opportunities for temporary container or other type structures in the courtyard where you could have uses that are smaller, that are local, that are affiliated with, for example, SFMade. They wouldn't be faced with a 50,000-square-foot space. Instead, they'd have maybe 1,000-square-foot space.

This is a picture of a small space we had in Oakland at a project called 1440 Broadway. It became Oaklandish, which is a local boutique. They design their shirts, print their shirts in the back, warehouse their shirts and sell their shirts and have really been a huge part in turning around that block in Oakland. It's sort of the epicenter of where a lot of the protests have happened. They have really changed the way that the community sees this portion of downtown Oakland. We'd like to create a lot of these small, combined spaces as well. It's something that we continue to design and coordinate with the Port and with the community.

Last, we are going to have a number of public spaces. This is a picture of the Craneway Pavilion in Richmond at acquisition and what it looked like upon completion. There are a lot of events that happen in that space. That's a picture of the Oakland East Bay Symphony playing on the third of July. It's an annual free concert. Uses range from music to festivals to food and wine to roller derby to foreclosure workouts. It's a very active space. It is really driven by the different interests of the community. It's a mix of free events, ticketed events, large events, small events, late-night events, weekend events. There are a number of rules and regulations that we are negotiating with the Port with the goal of activating this area as much as possible.

One thing we've heard from the community is we would like an opportunity to come down and be a part of the site. To that end, there are two public spaces that we create in this project. The first one is an indoor space.

It is an atrium in building 113, that building that is currently in danger of collapse. After it's seismically retrofitted, there will be a space in the middle shown in green on the upper right-hand corner of this slide which will have a number of small maker-type uses.

You'll have some sort of retail support, opportunities for food and beverage, public restrooms and then also the ability to do indoor events. The other thing that this will provide are very beautiful view corridors.

When you walk into the site, you'll have glass walls on either side. You'll be able to look down, see into the tenant space and get a sense for the grandeur and the size of the building to a greater extent than even historically was possible because, historically, there were a number of walls which would have blocked your view.

Public hours are daylight hours so an hour after sunset, we expect to have a lot of programming in the evenings. Outside, we benefit from some of the best weather in San Francisco. We have roughly an acre of plaza.

The plaza is a shared-use space. We've done a lot of work with the planning department and with the Port staff to figure out how trucks can come in safely. We're going to have a lot of rules and regulations about when trucks can come in to accommodate the industrial tenants.

We also have extensive bike parking in this area. We have stormwater management in this area. We have the ability to do a lot of events in this area. There will also be a mix of tenant use, which is shown in the light-gray strip around the courtyard, portions of which will be, at times, used exclusively for tenants and at other times will be used by the public.

For example, if a tenant had some outdoor equipment because it was a tenant that needed to silo something, they may have their silos in a portion of that light-gray area but the public would still be able to walk up to the face of the building. This area will be used for construction staging and will be closed for 18 to 36 months depending on how long build out takes. As soon as construction is complete and the area is safe, it will be opened up to the public.

There are a number of rules and regulations about the way the space can be used. Again, it will be open during daylight hours. We'll provide new lighting, so it's safe -- restrooms, bike fix-it stations, seating. We have the ability to close the area at night for safety.

We also have provisions for a limited number of special events each year. A similar type of use happening in the city right now is down at Fort Mason where you have things like Off the Grid. We look at the space as what we've dubbed the kaleidoscope of time, the notion being that, very early in the morning like you might see in a plaza in Europe, you have your truck activity that segues into an opportunity to come down and get a coffee in the mornings.

Then, you have a lunch crowd that's very pedestrian driven. Then, in the evening, you would have music and events with bigger events and festivals on the weekends. In fact, one thing we'd love to do is coordinate with Crane Cove Park when that's up and running to do a big festival maybe similar to Jazz Fest, which is happening right now, and then coordinate with the rest of the development and initiatives that are happening down at the site as the site develops.

A quick note on potential tenancing. We've toured a lot of different tenants. They really run the gamut in terms of uses. We have one tenant who has really committed to the project subject to getting the transaction documents approved. They've been very patient with us. We're extremely excited to have them on board.

We have a rep from their group here, Craig Anderson with the Blood Centers of the Pacific. They're a wonderful, life-saving group. They are currently located up on Masonic. They've been in San Francisco for about 75 years. This is an opportunity for them to remain in San Francisco, to consolidate a number of their industrial and other operations in one place, to build a very beautiful publicly accessible space and continue doing all the really good work that they do.

We're extremely excited to be in talks with them and are looking forward to firming up the deal and details once we clear the final regulatory pieces of the project. The project, like Phil said, has a major capital stack hurdle. We need to get to 50 percent pre-lease to get some of our bank finance in place. So working with a great credit tenant like Blood Centers also gives us a significant start on that pre-leasing requirement.

Briefly on benefits, Keyser Marston, as an independent third party for the Port, estimated approximately \$920,000 in annual property taxes. This addresses the \$115 million capital liability. It preserves these buildings hopefully before they're past the point of no return. We always knock on wood that we're not presenting, and there's an earthquake.

Finally, in terms of neighborhood benefits, early in the project we reached an agreement with the HRC. We have a 25 percent goal for workforce local and disadvantaged hire, a 50 percent goal for new hire being local and disadvantaged, a 17 percent local business enterprise participation rate.

On top of that, we have additional requirements for the city loan, which include a 25 percent goal for women business enterprises and minority business enterprises. We have reached out to the local community and the local chambers and have had an opportunity through some of the Port's initiatives to meet with some of the people who we might not have had the chance to meet with before.

We are committed to engaging with the community and to creating great jobs that benefit the community. To the extent that groups are interested, we have asked that they contact us. Make sure they have our information, and we will make sure that every group that expresses interest hears from either us or from Nibbi Brothers, who is the general contractor, the very capable general contractor on this job.

We will make sure that everyone who wants a shot at bidding on the work that remains has the shot to do that. We anticipate about 450 construction jobs and, once the project is up and running, at least 500 permanent jobs.

Phil Williamson, project manager for the Port - I'd like to briefly wrap up with a few next steps that you might expect over the coming months and be available to answer any questions you have along with other Port staff, Jonathan Stern, Byron Rhett and the Orton Development team.

The next immediate thing you would see if we are able to continue the good progress we've been making of late is to bring this deal to you for approval as soon as the May meeting. Right now, your forward calendar shows this coming to you on May 13, 2014. We are doing everything we can to make that a reality.

Following your approval of the project, there are quite a few other things to do to secure all the financing that we've talked about today including completing the

seismic loan, due diligence and then taking that information through the capital planning committee approval process for the seismic loan, also for the IFD and any GO bond issuance that would come out of the seismic loan approvals.

Beyond that, we would be at the board's budget and finance committee for review of these documents. The board approvals would also be required subsequent to committee recommendation. At that point, we would be ready to execute the lease fully and issue Port building permits, which have already been applied for and are being reviewed by Port staff.

Construction could start as soon as this summer. We've been talking about August, which is a good goal. We'll do our best again to achieve that. With construction, as James mentioned, taking anywhere from 18-24 months in this current very good market, potentially a little longer if the market slows down a little bit.

Corinne Woods - I am co-chair with Toby Levine of the Port's Central Waterfront Advisory Group. We've been working on Pier 70 for more than 12 years now. We are absolutely delighted to recommend your approval of the Orton project to move forward. Orton has been incredibly creative, incredibly patient, incredibly committed to this project. It's going to be a very complicated, difficult project to achieve. We believe Orton has not only the experience but also the tenacity to see it through. They've been very responsive to the community. I brought a letter that Toby and I wrote.

One thing that we want to be very sure of is that the public access, the public open space is open to the public to the greatest extent possible. We want to be able to have people recognize that it is public space and be welcomed into that space on a regular basis so that they get used to the idea that, if you want to go down and have a cup of coffee, it's open to the public and not be unduly shut off by loading or by private events.

It's extremely difficult with these historic buildings to get loading areas. Apparently, there's grade differences on the streets that make it tough. We would really like to see the Port and Orton try and work out some alternative strategies so that the public open spaces can be kept publicly accessible as much as possible. We urge you to move forward. If they have to have 50 percent pre-leasing to get their construction funding, the sooner we do it, the better.

Paul Nixon - I have been with the Central Waterfront Advisory Committee for 12 years. My function in that group basically is non-motorized vehicles on -- boat vehicles as it were, the kayaks and the outrigger canoes and things like that. However, I became very early interested in Orton project because I'm a bicyclist. I had heard a lot about what Orton had done in the East Bay from my friends in Berkeley. When I found out that Orton was going to do Pier 70, I was very excited. I talked to Andy Thornley of the San Francisco Bicycle Coalition at the time. We got together a big bike ride -- this was a couple years ago -- to bring the people from San Francisco to look at what they were doing over there. It was

marvelous to see the Ford assembly plant, the restaurants, the other type of uses they had done. We felt that this was a group that would really be great at Pier 70. I talked to the commission about that a couple years ago. I wanted to say that, since then, I'm thoroughly convinced that these are the people that can solve the problems. They're good people. They understand the problems, and they want to work with the community.

The CWAG group is also willing to work with them. The Port seems to be willing to work. There are some areas that we have to look at in terms of the public and the private uses. I'm sure we'll be able to figure them out. I hope you approve everything today.

Commissioner Woo Ho – Thank you for the informational presentation. We're obviously not today approving the final project and all its terms. It is very useful to hear what the vision of the developer is. I did like the characterization that James put in the beginning that we're on the one-yard line. There are some things that we are still trying to clarify and finalize before this comes forward for final approval. I'm very hopeful that the staff and Orton will come to agreement on those terms and that we in the commission are looking forward to hearing the final proposals so that we can move forward and that we can get that touchdown together. I appreciate it. Thank you.

Commissioner Murphy - I think this is a great project. I've been driving by that site for the last 35 years. It's been blighted for most of that time. My hats off to the developer that's taken on this. I've done a lot of these projects myself over the years. I know what it's like. It's going to be a great partnership with you guys and the Port. It's also about jobs, construction jobs and, when it's complete, permanent jobs. Our tax base is going to benefit from all of this. It's just an incredible project. I kind of envy you guys. I wish I was doing it 35 years ago. This is what I used to do 35 years ago, maybe not as big a scale as this. I'm really excited about seeing the buildings just coming to life in their original splendor. That's going to be exciting over the next four or five years to see that. There is a little bit of negotiating to go on between the Port and the developer. I hope you get that worked out in a speedy manner. Let's get on with it and get the boots on the ground. Let's start doing some work over there.

Commissioner Brandon - Thank you so much for a wonderful presentation. Thank you for stepping up to save our historic buildings. I, too, think this is a great project, very exciting project and looking forward to the outcome.

I also want to thank James for attending the chamber exchange last week and for committing to work with small businesses. I'm really looking forward to this project getting off the ground. Thank you.

Commissioner Adams - The rest of the commissioners echo what I want to say. Eddie, you and James, you're on the one-yard line. You can't punt. We've got to get it across, like Commissioner Woo Ho just said. I'm not letting you punt. Eddie. Corinne is probably the conscience of this commission. She tells it like it

is as a community activist but the community is going to so benefit from this. From the first time that I had a chance to go down and see the buildings when James gave me and Commissioner Katz a walk through, I could tell that this was a labor of love. Sure, you're going to make money but this is a labor of love. This project will have long-lasting effect to the city for years to come. This will be a whole new community that will be reinvented. The only thing that I wish when I had breakfast with you guys is that you guys would have done something for housing because I totally support this project. I know there's a couple of things that have to be tweaked, but we'll get there. This is an area that I'd want to live in because it's going to be revitalized. It's like a shot in the arm for the community in that area.

Going through those buildings and just imagining what they're going to look like when it's done, it's going to be like a masterpiece. It will be like a masterpiece here in San Francisco. I know it's been kind of difficult, but things are falling in place. I feel 100 percent that this thing will get going in August or whenever the date is. I have full support in Orton. I have full support in the staff. We told Jonathan and Phil earlier today to get it done.

Commissioner Katz - I'll also echo the sentiments of my colleagues and thank all of you for stepping up to save these buildings. I know it's not an easy project. We really appreciate your expertise and diligence in moving it forward. I'll refrain from any further football metaphors but I also do want to do a special thank you for the efforts to work with the local community and recognize that that's only going to add more value to the project by having added community participation and buy-in so to speak to making it a reality.

Also, as I said earlier today, we're getting a lot of examples of the diversity of what happens here at the Port. So we've gone from small businesses moving into Pier 33½ to this project, which is an incredible historic rehabilitation effort of several older buildings.

I'm very excited to see what's happening, even more so when I saw the pictures of your before and after of some of your other projects. I also want to thank the Blood Centers of the Pacific for their interest in coming in and being ready to help the project move forward as well. You'll be a very lucky tenant and wish I had an excuse for becoming a tenant down there myself. It's a very exciting location. I also want to point out too, it's the gateway to other projects here at the Port. It starts the process as people recognize this is an area in San Francisco that's becoming enlivened. Along the waterfront, we have our Blue Greenway, which will be a series of walkway and open space leading up to sort of the entry to 20th Street there.

I'm very excited. We will have our Crane Cove Park right beside you. We very excited to see this project move forward and,, hopefully none too soon. Thanks to our staff for working on this and helping to get it almost over the line here. Thank you.

15. NEW BUSINESS

Monique Moyer - I wanted to point out one thing on the forward calendar. Due to some scheduling issues, we'd really like to bring forward the metro agreement for Piers 27 cruise terminal a little earlier than the forward schedule shows. We're proposing a May 13th informational item and a May 27th action item presuming that the info item goes smoothly. So we're going to do our best to get the word out so that everybody knows. We'd really like to get that approval done in May to accommodate some scheduling conflicts.

I'd also like to take this opportunity to wish Commissioner Brandon a happy birthday later this week. Happily, it's not actually a commission meeting on your birthday as it was last year or the year before. So happy birthday to you.

Commissioner Brandon - Thank you. Actually, last year, it was on the Port's anniversary.

Commissioner Woo Ho - I'm sure we're all obviously reacting to what we saw in the headlines in the newspaper today. We are aware now that obviously Pier 30-32 is not going to be going forward as the Warriors arena. I'd like to suggest at some point in the near future, and certainly not at the next meeting, that staff tell us what the options are for Pier 30-32 going forward given that the arena project is not going forward

Commissioner Katz - Thank you for that, Commissioner Woo Ho. Please include in that the costs of continuing the maintenance of the piers. We received a report on that a while back but it would be good to find out what the costs are to maintain the piers. Those can even be separate items.

Monique Moyer - Certainly.

Commissioner Murphy - Commissioner Katz and I had coffee yesterday. We talked about coming up with ways to promote the Port, doing some PR work. Maybe we could talk over that at the next meeting or get it on the agenda or come up with some ideas.

Commissioner Murphy - Our Executive Director spoke at a CRG meeting awhile back and it was absolutely fantastic. There were a lot of people that came up and inquired about the Port. There's a lot of educating we need to do to get the word out there.

Monique Moyer - Thank you, Commissioner. Through Renee Martin, we have contracted with a firm to help us come up with a strategic marketing plan. I don't think it'll be ready by the next meeting but we'll be bringing it to you as soon as it is. I would like to suggest that they outreach to you to get some of your thoughts as well if that's okay.

Commissioner Murphy - Okay.

16. ADJOURNMENT

ACTION: Commissioner Brandon made a motion to adjourn the meeting in memory of Robert Billingham, San Francisco Infrastructure Manager, America's Cup Event Authority; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

Port Commission President Leslie Katz adjourned the meeting at 5:45 p.m.

